

**Collaborative Relationships in New Zealand:  
An Exploratory Examination**

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## Abstract

There has been a substantial increase in the number and variety of collaborative relationships formed in recent years. The significance of collaborative relationships has resulted in an increased examination of their function and impact on the business environment. Despite the prevalence of collaborative activity and sustained academic and practitioner interest, high failure rates continue to be reported.

This thesis is an exploratory study of collaborative relationships among New Zealand firms. The study focuses on improving our understanding of collaborative performance using a different methodological approach to those commonly reported in the literature. The purpose of this thesis is to develop theoretical insights into the area of collaborative performance.

Decisions on design reflect the intention to capture managerial perspectives and remain open to new findings. This study follows an in-depth case-based design. Multiple sources of evidence are used to collect data for the 14 cases. Other salient features of this design are the use of theoretical sampling, inclusion of multiple collaborative forms, interviewing more than one partner in the relationship and obtaining a biographical history of the collaboration. The compilation of a detailed case summary for each relationship precedes the cross-case analysis. Key themes emerging from this process are then discussed as theoretical insights.

There is empirical evidence to suggest that relationships with formal agreements are more likely to achieve relationship objectives. Formal agreements contribute to a clear focus, assist the conflict resolution process and encourage shared values and solidarity. Other such insights are detailed regarding relational variables, mutual partner assessments and the ability of global strategy to undermine collaborations at the local level. The ability of alliances in building firm resources, adaptability to environmental conditions and the issue of collaborating with competitors are also presented as additional observations.

The theoretical insights highlighted in this study provide the basis for future research. They are presented as propositions in Chapter 7.

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**Chapter One: Introduction**

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## **Chapter One: Introduction**

### **1.1 Overview**

This thesis is a study of collaborative relationships among New Zealand (NZ) firms. The study focuses on improving our understanding of collaborative relationship performance. It aims to do this by examining collaborative relationships using a different methodological approach from those commonly reported in the literature. The purpose of this thesis is to develop theoretical insights in the area of collaborative performance. This chapter provides an introduction to the research, including an examination of the research problem, research focus and objectives. The specific contribution of this research is then discussed. Chapter 1 concludes with an outline of the thesis.

### **1.2 Problem Orientation**

There has been a substantial increase in the number and variety of collaborative relationships formed in recent years. A recent Booz, Allen and Hamilton study shows sales attributable to collaborations as increasing from 19% in 1996 to 35% in 2002 among the Fortune 1000 companies (Garai, 1999). The emerging significance of collaborative relationships has been reflected by an increased examination of their function and impact on the business environment. Numerous conceptual and empirical contributions have significantly advanced our understanding of collaboration (see Ireland, Hitt, & Vaidyanath, 2002 for a detailed account of recent empirical work). Theoretical perspectives contributing to the dialogue on collaborative relationships include the resource-based view (Barney, 1991; Varadarajan & Cunningham, 1995), transaction cost analysis (Williamson, 1985), resource dependence (Heide, 1994; Pfeffer, 1981) and the strategic perspective (Day, 1995). More recent work incorporates the notions of network and social structure (Gulati, 1998). These diverse theories have been utilised by researchers to examine motives for collaborative relationship formation, and each contributes a unique understanding of collaborative performance (see section 1.5) and how these might be explained and measured.

Despite the prevalence of collaborative activity and sustained academic and practitioner interest, there has been consistent evidence suggesting that many collaborative

relationships do not meet participant expectations (Miles & Snow, 1992) and continue to be fraught with difficulty. Failure rates ranging from 33% to 70% have been reported (Noble, Stafford, & Reger, 1995). Whilst firms may regard collaborative relationships as part of their competitive policy, trying to achieve a balance between competitive strategy and collaboration raises the question of how firms can design strategies to cooperate effectively in order to maximise competitive performance.

### 1.3 Research Focus

In this thesis I undertook a systematic approach to the study of collaborative relationships in New Zealand. While theoretical and empirical contributions informed this research, a clear attempt was made to examine collaboration from the perspective of participating managers. In doing so, I have attempted to create a picture of collaborative relationships based on sound theoretical foundations and design, with a focus on the contribution of managerial participants. A comprehensive review of the current literature generated the following broad objectives for this study:

- To integrate previous studies and adopt a holistic research approach that transcends discipline, industry, relationship type, time or any other such factors. In doing so, to design a study that captures the interrelationships of key factors influencing collaborative performance.
- To adopt a research design that can progress theory by strongly grounding it in an understanding of managerial practice.
- To develop propositions that will contribute to an improved understanding of the dynamics and performance of collaborative relationships. This will include an in-depth understanding of the factors that contribute to the performance of a collaborative relationship and provide insight into areas of misunderstanding.

The value of bringing a qualitative perspective to the topic of collaborative performance rests in the *complexity* of these relationships. In practice, collaborations are frequently complicated by various, often unpredicted factors. These might include different relation types, the people involved or the differing objectives of the partners, and the limited extent to which such factors are controllable. As such, collaborations can also be regarded as *dynamic*. The use of this term recognises that collaborations change and are

not static. Changing environments, managers, objectives or even structures contribute to the *dynamics* of collaboration. The ability of the partners to recognise and deal with such change—for example, modifying their activities or goals, or negotiating the division of responsibilities—can have a significant impact on the success of the relationship, the achievement of goals and/or the viability of future collaboration.

The use of qualitative methodologies was therefore determined as most appropriate for this study. A qualitative approach appears appropriate given the need to understand a complex phenomenon where the literature base continues to be diverse and currently provides only a partial explanation of what is seen (Eisenhardt, 1989). The current research focuses on progressing theory-building on collaborative performance.

The decision to proceed without the formulation of a pre-determined hypothesis was founded on the belief that such an approach would generate a depth of data capable of demonstrating complex interrelationships between various factors in the study of collaborative relationship performance. More specifically, in appreciating the complexity of these interrelationships a case-study approach is adopted. Within this framework, information was collected through unstructured interviews, cognitive mapping and a semi-structured questionnaire.

#### **1.4 Research Contribution**

The contribution of this study is significant given the repeated call for more detailed inquiry into collaborative relationships and the demonstrated need for research that integrates theoretical perspectives, antecedents and outcomes, and captures managerial perspectives (Osborn & Hagedoorn, 1997; Reuer & Koza, 2000; Smith, Carroll, & Ashford, 1995; Webster, 1992). Whilst there is an abundance of research into such relationships, specific theory in the area of collaborative relationships remains sparse. Although academic interest is strong and practitioners continue to enter into collaborations, the need for research that is integrative, links previous work and provides actionable guidelines is still apparent. This study endeavours to answer the call for more detailed inquiry.

With regard to methodology, this study adopts a holistic approach to the research area. It follows an in-depth case-based design, which is useful for theory development. This approach allows for greater understanding of collaborations (grounded in managerial



practice), and provides the researcher with an opportunity to collect data of considerable depth. It enables the exploration of complex interrelationships between various factors influencing collaborative performance. The study gives particular consideration to the development of a research design that avoids problems highlighted in past studies of collaboration. These will be discussed further in Chapter 3.

Conceptually, this work fills the requirement for sound theoretical and empirical work that is holistic and grounded in managerial practice. The research provides a longitudinal approach in that it gathers a detailed biographical history of the relationship. Further, it incorporates aspects of organisational cognition suggested as important for developing insights into alliance outcomes (Noble et al., 1995). The approach is also differentiated from previous studies in that it does not concentrate on any particular industry, relationship type or partner.

In addition, the research will be of interest to NZ firms. It is anticipated that the research will provide practical insights for managers regarding:

- whether to enter into a collaborative relationship
- how to select partners
- how to structure collaborative relationships
- how to manage ongoing relationships.

The results will provide a greater understanding of collaborative performance and what factors may contribute to the achievement of objectives. It is anticipated that this understanding can lead to improvements in collaborations, which will increase the proportion of collaborative relationships that meet their objectives. This will result in enhanced financial performance for the firms involved, with economic benefits for New Zealand as a whole (eg, Crocombe, Enright, & Porter, 1991).

*In summary*, it is anticipated that the results of this study will make a valuable contribution by progressing theoretical insights regarding collaborative performance in the light of managerial practice and the demands of the 'real world'. Such a study will help to identify key factors and point to how one can protect and strengthen collaborative relationships in a changing and dynamic business environment.

## 1.5 Related Terms and Concepts

### *Collaborative relationships*

Various definitions and conceptualisations of collaborative relationships are evident in the literature. For this study, 'collaborative relationships', 'collaborations', 'relationships' or 'alliances' are used as umbrella terms to refer to all collaboration types. The study examines a variety of relational types, including joint ventures, equity arrangements, formal/informal agreements and networks.

### *Collaborative relationship performance*

In this study, the terms 'collaborative relationship performance', 'collaborative performance' and 'success' are used only in reference to an overall indication of the extent to which a collaborative relationship was considered to have been successful. The term is also used where the literature may have made references to general statements of collaborative performance or success.

### *Collaborative outcomes*

The literature reveals some confusion regarding collaborative performance and outcomes. In this study, the term 'collaborative outcome(s)' is used to indicate particular objectives that are specified within the collaboration. These might include market share, sales, or partner-related objectives identified by the relationship participants. Each collaboration could therefore have a different set of objectives. Whilst it might be expected that each partner would have similar objectives, this may not necessarily be the case. An examination of the 'collaborative outcomes' specific to each relationship and each partner is expected to provide a greater depth of understanding regarding the 'achievement of objectives' within a collaborative relationship. The link between the objectives and collaborative outcomes specific to each relationship indicates the problems that might result from using measures such as 'performance' or 'met expectations', which do not adequately capture the differing objectives that each collaborative relationship may have.

The distinction between 'collaborative outcomes' and 'collaborative performance' becomes particularly important in Chapter 3. The use of this term is discussed again at this point.

### *Elements of collaborative performance*

The terms 'antecedents', 'factors', 'variables' and 'constructs' have been adopted in the literature to describe 'aspects' associated with collaborative performance. Such terms indicate very differing relationships to collaborative performance. In this study, where the literature refers to an 'aspect' of collaboration as an antecedent or factor, an effort is made to retain the use of the term. However, a key facet of this study has been to adopt a design that does not begin by presupposing any specific relationship between 'aspects' of collaborative performance. For the most part, such 'aspects' will be referred to as 'factors' or 'elements' in the sense that they are all 'elements' of collaboration.

The term, 'relational variables', is used to describe elements such as trust or commitment. 'Relationship dynamics' is used as a blanket description for all such factors, including interpersonal relations.

### *Holistic*

The term 'holistic' is used within this study to capture the idea that the research aims to provide a complete picture of collaborative relationships. As Patton (2002) suggests, a holistic approach involves understanding the whole phenomenon and then focussing on complex interdependencies. This is particularly relevant in the analysis phase of this research where the dynamics of collaborative relationship performance cannot be reduced to assessing the relationships between a few discrete 'variables'.

### *Interviewee*

The terms 'interviewee', 'respondent' and 'informant' are used to refer to managers who participated in the study.

## **1.6 Thesis Structure**

The thesis consists of seven chapters. Their scope is outlined below:

### *Chapter 1: Introduction*

This chapter provides a background to the research. It examines the problem orientation, research purpose and contribution of this research.

### *Chapter 2: Literature Review*

This chapter presents a critical review of the relevant literature on collaborative relationship performance. In doing so it highlights major research issues for this study.

### *Chapter 3: Research Design*

The research method and procedures used in this study are discussed in this chapter.

### *Chapter 4: Single-Case Summaries*

This chapter presents the results of the single-case analysis.

### *Chapter 5: Cross-Case Analysis I – Collaborative Outcome Facilitators*

Chapter 5 examines the key collaborative outcome facilitators arising from the cross-case analysis.

### *Chapter 6: Cross-Case Analysis II – Collaborative Outcome Detractors*

Chapter 6 explores the key collaborative outcome detractors arising from the cross-case analysis.

### *Chapter 7: Toward a Theory of Collaborative Outcomes*

The final chapter discusses the research results, summarises insights and examines their implications for research and managerial practice. It also presents the key propositions that need to be tested in order to develop a model of collaborative outcomes.

## Chapter Two: Literature Review

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## **Chapter Two: Literature Review**

### **2.1 Overview**

This chapter presents an overview of the literature on the performance of collaborative relationships, as a background to the current study. To highlight existing knowledge in the area, this review focuses primarily on empirical findings from previous research that concentrate on collaborative performance. Research issues significant to the present study are identified through this process. Overall, it is intended that the review will summarise the relevant literature and highlight the need for an alternative research perspective.

### **2.2 Empirical Contributions**

As collaborative relationships have become increasingly prevalent, studies have been undertaken to increase our understanding of the elements that contribute to their performance. Increasing our knowledge of collaborative success is particularly important because many relationships continue to fail (Geringer & Hebert, 1991; Kale, Dyer, & Singh, 2002; Mohr & Spekman, 1994). Numerous studies have made empirical examinations of collaborative performance. A sample of research conducted between 1988 and 2002 can be seen in the tables contained later in this chapter. Studies appearing in key academic journals were of primary interest in compiling this table. However, it is recognised that other lesser-known journals, conference proceedings, and doctoral and masters theses also include work on collaborative performance. In addition, an effort has been made to include those papers written between the late 1980s to 2002. Fifty-two studies were identified as having examined some aspect of collaborative performance. While this list is by no means exhaustive, the papers provide an insight into the wide range of issues that have been discussed in the current literature. These studies have varied in industry focus, collaborative type/form, theoretical influences, country focus and methodology.

At its most basic level the extant literature on collaborative performance can be divided into those studies that have adopted a qualitative methodology and those that have demonstrated a quantitative focus. The following sections describe key aspects of these

qualitative and quantitative studies. The qualitative studies will be discussed first. Next, the quantitative studies will be explored further.

### 2.2.1 Qualitative Contributions

Of the 52 articles appearing in these tables, only seven have a solely qualitative focus. (See Table 2.1.) Although other studies have a small qualitative component, they are typically followed by a large-scale quantitative study. Notable qualitative contributions are described next.

One strand of literature on collaborative performance concentrates on the conditions necessary to achieve effective cooperation. The formation and development of international joint ventures were the focus of Hyder and Ghauri's (2000) study. This research examined two joint ventures between Swedish and Indian partners. The industries concerned were telecommunications and alloys/heating systems. Interviews were designed to collect information on motives, resources, learning, network aspects and performance. Profit, growth, joint participation and survival were examined. One important finding is that greater levels of learning help to decrease uncertainties and promote the development of stronger collaborative relationships. However, despite the comparison between one successful and one unsuccessful relationship, few other significant conclusions can be drawn.

Doz (1996) adopted an evolutionary perspective to consider the mediating effect of learning between the initial conditions and the outcome of collaboration. The three cases selected for study were all technology-related strategic alliances. Data collection was achieved through a mixture of archival data and participant interviews with senior executives in the firms. The primary focus within this process was to understand the events surrounding the relationship. Through this, a link was established between the initial collaborative relationship conditions (such as task definition, partner routines, performance/behaviour/motive expectations) and learning (about environment, task, process, skills, goals). A key conclusion is that collaborative failure might be attributed to problems in learning associated with the initial collaborative conditions and contextual influences (in both organisational and strategic areas).

**Table 2.1: Qualitative Studies of Collaborative Relationship Performance**

Study	Relationship Type	Main Issue	Theoretical Influences	Industry/sector/product group	Country Focus	Data Collection	Key Findings	Limitations
Alajoutsijärvi, Möller, Tähtinen (1998)	Buyer-seller relationships	This paper examines exit strategies for the dissolution of a buyer-seller partnership	Channel research, business-to-business marketing	Varied pairs - consulting firm:hotel chain; paper mill:paper machine producer; component user:component supplier; corporation:university	Finland was a major focus	The study adopted a case study approach; cases were selected on theoretical grounds; personal interviews and other secondary sources were used to collect the data	The quality of dissolution is affected by the choice of exit strategy; suggestions are provided (eg: communication strategies) which minimise damages of dissolving the relationship	This study provides limited empirical case findings
Doz (1996)	Strategic alliances	This study examines how learning (environment, task, process, skills, goals) between alliance partners mediates between the initial conditions and outcomes of alliances	Strategic alliances, organisational learning	Pharmaceuticals; computers and office electronics; jet engines	Variety: U.S., Italy, Switzerland	Three main cases were selected for this study; two projects were examined within each of the three alliances; interviews and archival sources provided data for analysis	Alliance failure may be attributed to problems in learning associated with initial conditions within the alliance or negative reevaluations	The research is conducted with a small sample of cases; problems in case selection may also have had an impact on the results
Giller and Matear (2001)	Interfirm relationships	This study is concerned with the termination of interfirm relationships	Channel research, business-to-business marketing, relationship marketing	Whiteware, shipping, capital equipment, manufacturing, advertising	New Zealand and Australia	Four dyadic case studies formed the basis of this study. In-depth interviews were conducted	The cases illustrate the complexities of termination, and it appears that firms use a mixture of strategies	It was not the aim of this study to discuss performance implications
Hamel (1991)	International strategic alliances	This study examines the determinants of inter-partner learning and the reapportionment of skills between partners through the collaborative process	Resource-based view, learning	Aerospace, chemicals, semiconductors, pharmaceuticals, computers, automobiles, consumer electronics	US, EU, Japan	This study adopted a grounded theory methodology with the purpose of theory development; in-depth interviews were conducted with 74 individuals, in 11 firms across 9 alliances; various relational forms were included	A key finding was that stability and longevity are not good measures of success; with regard to learning - not all partners are equally adept at learning and process may have more influence than structure in learning outcomes	Whilst this study provided a multi-nation, multi-industry examination of alliances it did not develop any clear guidelines as to how success may be measured - its primary focus was learning



Hyder and Ghauri (2000)	International joint ventures	This study examines the formation and development of international joint venture processes and relationships between partners over time	Varied	Telecommunications; alloys and heating systems	Sweden:India	The case study method was used to collect data from two joint ventures between Swedish and Indian partners; data was collected between 1982 and 1997; both partners were interviewed in each case and joint venture management was also included; information was collected on motives/resources; learning; network; performance;	This paper found that greater levels of learning help to decrease uncertainties and promote the development of stronger relationships	This study provides some useful insights and adopts a longitudinal approach; the reasons for selecting these cases is not clear however; also both cases examine only joint ventures
Paun (1997)	Buyer-seller relationships	This study explores the factors associated with successful business-to-business relationships	Business-to-business	Forest products	U.S.	This qualitative study utilised a multiple case design; five cases were selected; data was gathered through personal interviews - a detailed questionnaire was used; data was analysed along partnership elements (planning, performance, communication) and marketing activities (product, price, distribution, and promotion)	Results indicated that 'best' joint planning and performance reviews; all forms of communication are used more frequently and products exchanged are more customised	This study involved only a few cases in one industry; also the investigation of one type of alliance affects transferability of insights
Sharma (1998)	International strategic alliances - including technical assistance agreements, R&D ventures	This paper examines governance in successful alliances	Networks in marketing	Varied - including chemicals, electrical equipment	Scandinavia: various other countries	Data were collected on these alliances over a period of 20 years through face-to-face interviews	A model in this paper includes relational (understanding, commitment), institutional (legitimacy, reputation) and ethical factors as governing international strategic alliances; legal factors are only part of the governance mechanism	This paper examined successful alliances in an attempt to develop a meaningful model; this approach immediately puts aside anything that could be learnt from studying failure; choice of the cases is not detailed clearly; research issues that are raised include: the role of individuals in strategic alliance initiation and management; which firms learn the most from alliances; the applicability of this model to technology alliances

Doz also concludes that a clear understanding of strategy and outcomes is not possible without an appreciation of how the participants in the alliance process interact.

Learning and the reapportionment of skills through the collaborative process were addressed in an early study by Hamel (1991). Nine high-technology international strategic alliances were examined using a grounded theory methodology with the purpose of theory development. The research methodology allowed in-depth examination of learning outcomes within collaborative relationships. The study highlights the fact that alliance partners demonstrate asymmetries in learning which influence whether they view their partners as collaborators or competitors. The partners' intentions and rates of learning were found to determine success or failure. Apart from key learning-related findings, this study also determines that stability and longevity are not satisfactory measures of success, and highlights the importance of learning as a key factor in collaborative performance.

Factors associated with successful business-to-business relationships were also examined by Paun (1997). This research focused on buyer–seller relationships in the US forest products industry. Results from the five cases indicate that the 'best' relationships involve more planning and performance reviews. Although respondents were asked to outline the benefits of the relationship, no firm conclusions were signalled.

Sharma (1998) considered the issues associated with governance in successful international alliances designed to pool complementary resources. Data were collected through in-depth interviews conducted over a period of 20 years. Most importantly, his research refutes the idea that initial strategic compatibility and prior knowledge of the alliance partner are important aspects of successful alliance formation. He suggests that managing the interactions within, and the on-going operation of, alliances are more important for achievement of objectives. Relational factors (understanding, commitment), institutional factors (legitimacy, reputation) and ethical factors are all important for assessing collaborative performance.

Characteristics of alliance development and overall performance are clearly not the only focus of current research on collaborative success. Other studies have concentrated on explaining characteristics of alliance termination or dissolution (eg, Alajoutsijärvi, Möller, & Tähtinen, 2000; Giller & Matear, 2001). Alajoutsijärvi et al. (2000) adopted a

case-based approach, where individual cases were selected on theoretical grounds, to examine exit strategies in Finnish buyer–seller partnerships. The authors provide various suggestions on how to minimise the damages of dissolving the relationship. The intricacies of termination were also demonstrated by Giller & Matear (2001) in their New Zealand- and Australian-based study. Four in-depth case studies illustrated the complexities of termination and the different extents to which a termination was viewed favourably by the participants.

Overall, the qualitative research described above provides some indication of the complexity involved in collaborative performance evaluation. It offers an understanding of the competitive vs cooperative nature of collaboration, and the extent to which companies' perceptions influence the degree to which they see learning as important (Hamel, 1991). Many studies also address the importance of learning in collaborations. These studies indicate the role of learning in the development of strong relationships (Hyder & Ghauri, 2000) and the differences in ability to learn among partners (Hamel, 1991). Additionally, longevity and stability are demonstrated as inappropriate performance measures in learning alliances (Hamel, 1991).

### 2.2.2 Quantitative Contributions

The performance measures utilised in studies of collaborative relationships vary considerably. Whilst the initial emphasis was on objective measures such as financial performance, the focus has changed considerably. The literature shows a move from objective measures such as survival/duration (eg, Harrigan, 1988b) to more subjective measures (Bucklin & Sengupta, 1993). This move reflects both the problems inherent in trying to apply objective measures learning or satisfaction, and the wide diversity in alliance objectives. Although there is some debate about the use of subjective measures, they are in part justified on the basis that they mirror the results that would be expected in an objective evaluation of performance (Geringer, 1991). Quantitative studies of collaborative performance can be divided into three broad categories – those that use objective measures, those that use subjective measures, and those that use a combination of the two. These categories are discussed in turn.

### *Objective Measures*

Studies adopted a number of objective measures in their consideration of collaborative performance. Of the 52 articles examined, 10 adopted a variety of objective measures. (These can be seen in Table 2.2.) A common measure was *survival*. These measures were usually based on whether or not an alliance continued to function, and intuitively survival was indicative of performance. For instance, Mitchell & Singh (1996) examined the survival of businesses using collaboration to commercialise complex products. In their US study of the hospital software industry, they identified and tested the impact of various collaborative relationship, business and industry level characteristics on the survival of a business. The success of the business was considered after the impact of an environmental incident or shock. The research procedure involved the collection of data from 973 businesses that had commercialised hospital software. Their findings provide support for the idea that collaboration is beneficial for business survival. However, the results suggest that while this holds for situations where the environmental shock is experienced in areas not related to the collaborative relationship, the opposite is true for relationships that are formed for activities where a shock is not experienced. Similar findings are supported in further studies (eg, Singh, 1997) of alliances among firms developing complex high-technology products. Singh's 1997 study extended prior research on how alliances mediate the relationship between technological complexity (and other industry factors) and business survival within the US hospital software industry. The results indicate that technological complexity has an impact on business survival, and this is only partially moderated by relationship activity. Measures such as profit or return on investment were not considered.

Similarly, *duration* has been used as a performance measure in many studies (eg, Harrigan, 1988b). Typically, duration is viewed as the years between the formation and termination of an alliance. For example, Park & Ungson (1997) examine the impact of partner nationality, organisational similarity and economic motivation on the duration of joint ventures. Collaborations with at least one US partner were examined within a transaction cost framework. Data were collected from 137 cross-border and 49 domestic joint ventures in the electronics industry. The dependent variable—duration—was measured as the number of years from formation to dissolution.

**Table 2.2: Objective Measures of Collaborative Relationship Performance**

Study	Relationship Type	Main Issue	Theoretical Influences	Industry/sector/product group	Country Focus	Data Collection	Key Findings	Limitations
Afuah (2000)	Network of co-opetitors	This paper explores the effects to a firm of technological change on its alliance partners (suppliers, customers, complementors)	Resource-based view;	Computer related technology	U.S.	Data were collected in field research conducted in Silicon Valley and Massachusetts Route 128; substantial background research was conducted; dependent variable was firm performance; independent variables were supplier and customer related	A key finding is that technology changes in supplier firms affect the buyer firms performance - the focus needs to be on the network of co-opetitors	This study is limited in both its industry and country focus
Harrigan (1988b)	All 'ventures'	The study focuses on facets of successful venturing - including partner asymmetries		Varied industries were represented	Predominantly included at least one U.S. partner	Three stage methodology: background information collected; interviews conducted; delphi-method questionnaire implemented; venture performance was determined by considering survival, duration and sponsor-indicated assessments of success	Ventures that involve related partners (product/market/technology) or horizontal-relatedness are more successful; similarity in cultures, asset size and experience are associated with greater duration - as is relatedness in venture activities; results also suggest that competitive needs should be of greater consideration than partner characteristics in partnering	93.4% of the ventures studied included one U.S. partner; in addition, variables used to determine joint venture performance (duration, survival) are questionable

Hu and Chen (1996)	International joint ventures	This study examines the factors underlying the performance of foreign joint ventures in China	Multi-disciplinary*	Majority in manufacturing	China: Hong Kong, Japan, U.S., Europe, Other	Joint venture level data were collected from the Ministry of Foreign Economic Relations and Trade and a non-profit organisation for Sino-foreign trade; 3071 joint ventures were identified; performance is the dependent variable; independent variables include partner commitment duration and investment), foreign control, industrial characteristics (technology, capital) number of partners, sociocultural distance, product characteristics and location in China	Findings of this econometric study indicate that performance of Sino-foreign ventures is more dependent on partner-related factors than joint-venture or environment-related factors	Data sources constrain the information available on relevant variables - partner selection and contribution could also influence performance; primary data collection should be conducted; other performance measures could be included; the number of partners and its impact on performance could also be considered; the study only concentrates on one developing country
Kalwani and Narayandas (1995)	Manufacturer-supplier relationships	This study examines the impact of long-term relationships with specific customers on the performance of supplier firms	Long-term relational exchange	Computer and allied equipment manufacturers, machine tool equipment manufacturers, electronics and other equipment manufacturers, automotive product manufacturers and manufacturers of scientific instruments	U.S. database	The Compustat database was used to identify 114 firms; a matched control firm using a transactional approach was also identified - this resulted in 76 matches; dependent variables include overall inventory turnover, selling prices, gross margin and profitability	Results indicate that long-term relationships still allow for sales growth and supplier firms are able to achieve higher levels of profitability	The study may suffer from biases associated with the industry group studied; many context and relational variables are not considered in this study - such factors may have affected the formation of a long-term relationship or mediated the benefits accrued

Luo (2002)	International joint ventures	This study examines the links between contract, cooperation and performance in international joint ventures	Joint venture strategy	Technology, telecommunications, medical equipment, electric equipment, machine building, pharmaceuticals and others	China: origin of foreign parent firms - U.S., Hong Kong, Japan, Germany, UK, Singapore, Taiwan, Italy, Others	293 questionnaires were received from IJV managers in China; contract, cooperation and performance (archival sales and ROI information) were measured; other variables included previous cooperation and cultural distance	A key finding was that contract completeness and cooperation drive IJV performance - independently and together; when contracts are complete, cooperation contributes more to performance;	This study did not examine other important factors that might affect contracts, cooperation and performance - for example environmental factors; it does not provide longitudinal insights, uses a single informant and examines only IJV's based in China
Lusch and Brown (1996)	Wholesale-distributors and suppliers	This study examines the influence of dependency structures between wholesale-distributors and their major suppliers	Relational exchange; channels research	Variety of industry codes - included durable and nondurable goods	U.S.	Data were collected through structured questionnaires designed to measure dependency, contract form, relational behaviour, long-term orientation, and wholesaler business performance (aspects of efficiency and productivity were examined)	A key finding was that the structure of dependency does have an impact on contracting in a marketing channel - specifically high dependency leads to greater reliance on normative rather than explicit contracts; when a wholesaler aligns with a weaker supplier, the wholesalers performance rises	Data were collected from the viewpoint of the distributor - information from suppliers would help overcome this limitation; other relational constructs such as trust and commitment have not been included in the study; the country specific (and relational type specific) nature of the study suggest some caution is required in generalising these findings to other contexts

McGee, Dowling and Megginson (1995)	Cooperative agreements in new ventures	This study of new ventures examines the relationship between performance and the experience of the new venture team; it also considers its choice of strategy and cooperative arrangements	Transaction cost framework, strategic behaviour	Three high-tech industries: communication equipment and electronic components; office and computing machines; professional and scientific equipment	U.S.	210 firms met the pre-specified criteria; data were collected from initial public offering statements; variables included continuous measures of firm performance and control measures for size, age and industry; competitive strategy and cooperative arrangements were also determined from this source, and managerial experience was tabulated	Main finding was that new high-technology ventures with managers experienced in areas linked to their selected strategy were more successful in any cooperative agreements selected to support these strategies	The main data source (initial public offering documents) limited the type/depth of data available and the type of alliances open to consideration; ventures that remained private were excluded
Mitchell and Singh (1996)	Collaborative relationships	This paper explores the benefits of collaboration for the survival of businesses commercialising complex products	Complexity, interfirm collaboration	U.S. Hospital software industry	U.S.	Data were collected regarding 973 businesses that had commercialised hospital software; extensive secondary research was conducted to gather crucial information	In the event of an environmental shock, businesses with collaborations related to the shock become more likely to shut down; businesses with collaborations for activities outside the shock are more likely to survive	The study focuses on complex technologies - the impact of environmental shocks on non-complex technologies could be examined; the industry and country focus pose some concern regarding generalisability of findings



Park and Ungson (1997)	Cross-border joint ventures	The paper examines the effect of partner nationality, organisational dissimilarity and economic motivation on the dissolution of joint ventures	Transaction cost framework, joint venture strategy	Electronics industry - including ventures in computers, medical equipment	Alliances with at least one US partner	Data was collected from a selection of joint ventures that had at least one US partner and no specified termination date - multi-party ventures were excluded. This resulted in the consideration of 137 cross-border and 49 domestic joint ventures. Event-history analysis was conducted - information collected from secondary sources and telephone interviews with top managers in some cases	Main findings included: cross-border ventures with partners from culturally distant countries have longer durations and are less likely to end; prior relationships were thought to provide a counterbalance to cultural differences; opportunistic threat and rivalry appeared to be a stronger indication of the dissolution of joint ventures than other organisational variables (strategic diversity, size, age)	This study focussed on joint ventures only, limiting the applicability of the findings to other forms of collaboration; the concentration on joint venture dissolution (precluding the examination of other factors in relationship success or failure), and only partnerships that had at least one US firm also created further research issues
Singh (1997) Alliances		This study examines the effect of technological complexity and alliances on business	Interorganisational relationships, technological complexity	U.S. Hospital software industry	U.S.	Survival of firms in the hospital software industry between 1961 and 1991 was examined; alliances and relevant information were identified through secondary sources	Results show that technological complexity is a significant influence on business failure; the appropriateness of alliances in moderating this impact depends on the level of technological complexity	Actual effectiveness of alliances is not included; the study examines a single industry in the U.S; collection of data through primary techniques would have been appropriate

Other independent variables—such as partner nationality (cultural distance), organisational factors (scope, size, age) and economic motivation (operational overlap, competitive ventures, technology)—were included in their analysis. A major counter-intuitive finding is that cross-border alliances appear to be of a longer duration. Also, alliance scope, size or age—that is, organisational variables—are not as strong as competition or rivalry in predicting alliance dissolution.

Numerous studies also considered financial performance measures such as revenue, sales growth, or inventory turnover (eg, Afuah, 2000; Kalwani & Narayandas, 1995; Luo, 2002; Lusch & Brown, 1996; McGee, Dowling, & Megginson, 1995). Afuah (2000) adopted a network approach to assess the impact of technological change on a firm and its 'co-opetitors'. His main proposition—that post-technological change performance decreases within the network—was examined within the context of a computer-related technology in the US (Silicon Valley and Massachusetts Route 128), using a resource-based view. Firm performance was measured by revenue market share. Other independent variables were related to customer and supplier capabilities. Key findings support Afuah's main proposition as he demonstrates that technology changes in the supplier firms affect the buyer firm's performance.

McGee et al. (1995) also used sales and growth as performance measures within the context of high-technology new ventures, influenced by a transaction cost and strategic behaviour perspective. Data were collected from 210 publicly listed US firms from a variety of high-technology industries. Independent variables focused closely on the marketing, technical, and production experience of the managers, on competitive strategy and on the nature of the cooperative agreement. A key finding indicates that new venture teams with higher levels of experience in their selected strategy area are more successful in any cooperative arrangements designed to support their strategy.

Luo (2002) examined the links between contract, cooperation and collaborative performance with specific reference to international joint ventures in various industries and countries. International joint venture managers in China were interviewed. Performance was measured using return on investment and through archival sales data. Other variables considered included prior cooperation and cultural distance. The study finds that contract completeness (specified terms and conditions) and cooperation (including setting strategic objectives, reaching a consensus and key employee

selection) drive collaborative performance. Although a number of other variables were included in the study, environmental factors that might contribute to firm performance were not evident.

A study by Hu & Chen (1996) also examined the performance of joint ventures in China. High-quality products, profits and export revenue were used as proxies for performance. Independent variables included partner commitment, socio-cultural distance and industry characteristics. Data on Sino-foreign trade collected from two main secondary sources show that performance is influenced to a greater extent by partner-related factors (such as the number of partners or partner commitment) than by environmental factors or forces specific to the joint ventures (such as foreign control, location or socio-cultural distance).

The link between contracts and performance was considered again by Lusch & Brown (1996) in their study of US wholesale-distributors and their suppliers. A structured questionnaire was used to measure dependency, contract form, relational behaviour and performance within these collaborations from the viewpoint of the distributor. Analysis (through structural equation modelling) indicates that high dependency leads to greater reliance on normative contracts. Also, it was demonstrated that a wholesaler's performance is likely to rise when their relationship is with a weaker supplier. However, many other relational variables that are likely to influence the nature of dependency, such as trust and commitment, were not included in the questionnaire.

Supplier performance has also been the focus of many studies. For instance, Kalwani & Narayandas (1995) examined the impact of long-term relationships on supplier performance within manufacturer-supplier relationships from various industries. Net sales, inventory turnover, gross margin and profitability were studied as performance measures, using data from the U.S Compustat database. A key finding is that long-term relationships preserve the ability of supplier firms to achieve higher levels of profitability.

### *Subjective Measures*

Various studies have utilised subjective or perceptual measures of performance. Of the 52 articles examined, 17 papers employed subjective measures. (These can be seen in Table 2.3.)

**Table 2.3: Subjective Measures of Collaborative Relationship Performance**

Study	Relationship Type	Main Issue	Theoretical Influences	Industry/sector/product group	Country Focus	Data Collection	Key Findings	Limitations
Bucklin and Sengupta (1993)	Co-marketing alliances	This study examines factors that can increase the effectiveness of co-marketing alliances	Interorganisational exchange behaviour	Computers and semiconductors	U.S.	Information was collected on 98 alliances through a mail survey addressed to a senior executive; the dependent variable was perceived alliance effectiveness	Imbalances in power were found to be a drawback to alliance operation; well-planned projects with high payouts in relation to cost are more likely to succeed; alliances tend to be more successful in turbulent environments; contractual governance can offset problems associated with high transaction costs	Measures of performance are based on perceptions alone - no quantitative measures were collected; the study also has a limited industry and country focus and collects information from only one partner in the dyad
Cannon, Achrol, Gundlach (2000)	Business-to-business exchange relationships	This study examines the performance implications of governance structures involving contractual agreements and relational social norms	Multi-disciplinary*	Varied	U.S.	The sampling frame was derived from a national association of purchasing professionals; 424 usable responses were received from a mailout; performance measures included product quality, delivery, support	The study found that contracts and social norms were effective in enhancing supplier performance – individually and in combination - this did vary with transactional uncertainty; where uncertainty was high contracts were ineffective; if cooperative norms are well developed the use of contracts enhances supplier performance	This study only includes the buyers perspective; measures may also not have captured all relevant dimensions

Cannon and Perreault Jr. (1999) Buyer-seller relationships

This study outlines key dimensions that characterise marketing; the way in which buyers and procurement suppliers interact

Business and producers of services (utilities, educational and financial institutions)

Manufacturing (59%) U.S.

The sampling frame was derived from a national association of purchasing professionals; questionnaires were developed to be completed by a purchasing professional in the customer firm with regard to their relationship with a supplier; pilots and pretests were conducted; the questionnaire included measures of relationship connectors and relationship determinants/outcomes (including performance - product quality, delivery, support)

Key findings show that antecedent market and purchase situations affect when specific types of relationships are used; customer satisfaction and evaluation of supplier performance vary across different types of relationships

The study collects information from only one side of the dyad and employs a single-informant technique; also, it is focussed on a particular context - resulting in findings that may not be relevant in other circumstances

Glaister and Buckley (1999)	International joint ventures	This study examines relationships between subjective measures of performance and a set of variables which may act as predictors of success at the time of alliance formation and variables which emerge during the operation of alliances	Joint venture theory	Manufacturing and tertiary sector distinctions were entered as dummy variables	Majority were UK: Japan, U.S.	A sample frame of alliances was formed from press announcements; UK parents of international alliances were considered; a postal questionnaire was used to gather data - this was formulated after semi-structured interviews with eight senior managers; 94 usable responses were collected; ex-ante factors included cultural distance, previous relationships, depth of analysis, partners actively compete; ex-post factors included other long-term relationships, partner views of alliance, behaviour/performance of partner; satisfaction and cost-benefit were independent variables	The findings indicate a relationship between alliance performance and depth of analysis preceding formation, other long-term relationships between partners and partner behaviour/performance during the operation of the alliance	A key limitation is that the data were collected from the UK partners only
Hausman (2001)	Buyer-supplier interfirm relationships	Examines the impact of relationship strength (interfirm trust, relationship commitment, relationalism) on relational outcomes such as cooperation, performance and stability	Relational exchange, channel research*	Hospital Industry	U.S.	The study collected data from hospital purchasing agents regarding relationships with major supplier; mail surveys were sent to 1000 randomly selected members of the available population; previously established scales were used to measure constructs in the model	Results support the notion that the variables comprising relationship strength impact on relational outcomes;	Key limitations were the use of a single industry, single informants from one side of the dyad and a low cooperation rate

Holm, Eriksson and Johanson (1996)	International supplier-customer relationships	This paper examines cooperation between suppliers and customers in international business relationships. It considers the suggestion that cooperation can raise the value of relationships, and assesses the impact of business network connections on cooperation	International exchange; Social exchange; business networks	Wide spectrum from raw materials to equipment	Supplier firms in Germany, France and Sweden; customer firms in France, Germany, Italy, Japan, Sweden, the UK, and US	Data was gathered on 136 dyadic relationships; personal interviews and a questionnaire were utilised; LISREL was used	A key finding is that relationship profitability is directly affected by relationship commitment and, indirectly through commitment, by business network connections	The study only considers certain countries, focuses on one type of relationship and is limited to relationships considered important by the partner firms
Jap and Ganesan (2000)	Supplier-Retailer relationships	This paper examines how retailers may manage supplier specified transaction specific investments(TSI) through: supplier TSI's, relational norms and explicit contracts; their effect on commitment is also considered	Economics, marketing, organisational theory, social psychology	Chemical products	U.S. retailers; supply firm undisclosed	A list of 3646 U.S. retailers was provided by the supplier firm; a mail questionnaire resulted in 1457 responses evaluating the retailers relationship with the supplier; retailer and supplier TSIs, relational norms, contracts, perception of supplier commitment and performance, conflict, asymmetry and satisfaction were among the factors measured	Data suggests that a retailers TSIs negatively affect perception of supplier commitment; a suppliers TSIs and relational norms increase perceptions of commitment but contracts have an adverse effect; retailers perceptions of supplier commitment are positively related to its perceptions of supplier performance but have a negative relationship to conflict	The research only examines the relationship through retailer evaluations; measures of relational norms are incomplete; different channel contexts need to be considered to test the generalisability of these results

Kale, Singh and Perlmutter (2000)	Learning alliances	This study examines the dynamics in learning alliances within industries where alliances offer a means of competing	Organisational learning theory, strategic alliances	Pharmaceuticals, chemicals, computers, electronics, telecommunications, services	Alliances formed by U.S. based firms	Data were collected through a large-scale survey; 212 complete responses were received from the person most directly associated with the alliance; dependent variables were learning and protection of proprietary assets; explanatory variables were conflict management, relational capital and control variable partner fit	Results point to a need for greater consideration of post-formation alliance management; they also suggest that the greater the relational capital, the greater the degree of learning and ability to protect proprietary assets; integrative conflict management also leads to greater learning and asset protection	A key limitation is the collection of responses from only one partner; only objective measures of learning were included - perceptual measures could provide greater insight; the cross-sectional nature of the study fails to provide a longitudinal view of the relationships considered
Li and Dant (1997)	Channel partnerships - manufacturer:dealer	This study explores the linkages among the constructs of exclusive dealing, relationalism, communication and performance	Channels research	Office photocopier industry	U.S.	The National Office Machine Dealers Association sponsored this study and provided a members list; 461 responses were available for analysis; relationalism (mutuality, solidarity, role integrity), communication and perceived performance (channel productivity, satisfaction)	Exclusive dealings represent an asymmetric power structure favouring suppliers, but appear to have closer relationships and provide more favourable performance evaluations; the results also have implications for communication and opportunism	This study only collected data from one partner; it focussed on the U.S. context and on dealings within one product area: office photocopiers



Lyles and Salk (1996) International joint ventures

This study examines the organisational characteristics, structural mechanisms and contextual factors that influence knowledge acquisition from the foreign parent in joint ventures. The relationship between knowledge acquisition and performance is then explored

Strategic management, international joint ventures, organisational learning

Varied: machinery manufacturing, electronics, textiles and food processing

Hungary

Data were collected through structured interviews with the president or general manager of 201 international joint ventures; Knowledge acquisition, joint venture characteristics and performance were operationalised – results were then analysed to test key propositions

The relationship between knowledge acquisition and performance was significant for all indicators utilised: business, human resource competency and general. Adaptation mechanisms such as capacity to learn, articulated goals, and structural mechanisms such as the provision of training, technology and managerial assistance by foreign parents were all positively associated with the degree to which international joint ventures reported acquiring knowledge from foreign parents; cultural conflicts can impede learning in certain circumstances

The reliance on data from Hungarian joint ventures affects its applicability to other settings; also, only young alliances were included in the sample (less than five years old); the sample only included successful ventures - this prohibits conclusions regarding the link between knowledge acquisition and failure; the foreign parents and/or any other stakeholders were not included in the survey design

Mohr, Fisher and Nevin (1996)	Examines the effect of collaborative communication on channel outcomes	Address the interrelationships of governance (integration and control) and communication; examines the effects of collaborative communication on channel outcomes	Governance mechanisms	Personal computers industry and related products	U.S.	Sampling frame used was a list of computer stores affiliated to a microcomputer industry trade association. The unit of analysis was the relationship between a dealer and one of its manufacturers of computers/computer-related equipment. Final sample size was 125	Results indicate that collaborative communication differentially affects outcomes under various governance types - for instance combining collaborative communication with low levels of governance may be a viable strategy to enhance outcomes. Outcomes considered were commitment, satisfaction and coordination	Data were collected from a single informant only in a cross-sectional design. The single industry context leads to questions surrounding the generalisability of results to other areas
Morgan and Hunt (1994)	Examined ten forms of relationship marketing including categories within supplier partnerships, lateral partnerships, buyer partnerships, and internal partnerships	Examines the requirements of commitment and trust for the success of relationship marketing	Relationship marketing, relational exchange, social exchange	Independent automobile tire retailers	U.S.	A self-administered questionnaire was sent to members of a national association of tire retailers - 129 questionnaires were returned out of a sample size of 204	Positive results are obtained for trust and commitment as key mediating variables in relationship marketing	The study adopts a cross-sectional design - dynamic and longitudinal effects are not captured; the industry context studied also limits the generalisability of results; the study could also benefit from consideration of all ten forms of relationship marketing outlined by the authors. The question remains as to how trust and commitment can be nurtured

Parkhe (1993b)	Strategic alliances/interfirm alliances - national and cross-border	Examines the link between alliance structure and performance	International business literature, 'game theory', cooperation	Multi - including chemicals, electrical and electronics, transport equipment	U.S. with a European, non-U.S. or Japanese partner	Five criteria were employed in sample selection: time period (1983-1988); industrial scope; firm nationality; number of participants (2); nature of participants (for-profit strategic alliances); a mail survey resulted in 111 usable responses; database was conducted from a recognised index of corporate change	Data strongly supports the hypothesis that alliance performance and structure are linked; this varies according to partner nationality	The study based its findings on the responses of the U.S. firms - partner firm responses were not collected; it also excluded any relationships with more than two partners, and included industry groupings that were known to be more prolific in alliance activity; also the specification of at least one U.S. partner may have influenced the findings - alliances between firms in other countries may have generated differing results
Saxton (1997)	Strategic alliances - encompassing a range of relationships	Examines the effects of partner and relationship characteristics on alliance outcomes	Economic theory and behavioural perspectives	Chemicals and allied products	Canada, U.S. UK, Germany, France, Japan, Malaysia, India	Data were gathered in a longitudinal study from 98 dyadic relationships using questionnaires; alliance outcome was the dependent variable consisting of performance (overall satisfaction, achievement of objectives, contribution to partners core competencies) and initial first-year satisfaction; reputation and prior relationship were independent variables	Results support the importance of both partner and relationship characteristics on alliance outcomes; reputation, shared decision-making and strategic similarity between partners had a positive influence on outcomes; while strategic similarity was important, the same was not the case for other characteristics such as culture or human resources	This study focussed on only one industry and limited the sample to two-partner alliances; variable measures were determined by prior research

Smith and Barclay (1997)	Selling partner relationships	The study develops a trust-based model of effective selling partner relationships	Exchange theory, attribution theory and role theory	Computer industry	Canada	The sample was generated from sales representatives in the Canadian subsidiaries of two multinationals; these firms were selected based on their sponsorship of the study; a mail survey was conducted in two stages; key constructs were operationalised with a mix of information from interviews, literature etc	Findings indicate that organisational differences were only modest predictors of three dimensions of mutual perceived trustworthiness, which affected trusting behaviours; trusting behaviours had a greater effect on perceived task performance than on mutual satisfaction; this indicates that firms seeking to enhance task performance need to invest in partner relations	The study develops and tests models that are cross-sectional in nature; the convenience sampling employed also warrants caution in transferring results
Whipple and Gentry (2000)	Supply chain management partnerships	This paper examines the motives of channel members and compares these with actual objectives achieved across various alliances between manufacturers and their partners within the supply chain - the manufacturers' perspective on alliances was of special interest	Business-to-business marketing	Wide range from grocery to chemicals	U.S.	A target sample of 1500 was generated from the lists of three professional organisations - 180 usable responses were returned; the survey instrument was to collect information on performance objectives (derived from an extensive literature review); respondents concentrated on one relationship in one of the following categories: manufacturer-material supplier; manufacturer-customer; manufacturer-service supplier	The main finding of this study is that alliance motives vary according to the relationship category – that is, alliances formed at different channel levels are likely to have varying motives; benefits are also likely to vary with channel position of the partner.	The survey did not seek responses from both partners within these alliances; also, the focus on channel partnerships limits the generalisability of results to other settings/relational forms

Zaheer, McEvily and Perrone (1998)	Buyer-supplier interfirm relationships	Examines the role of interpersonal and interorganisational trust on performance	Relational exchange, Inter-organisational relations	Electrical equipment manufacturers and their suppliers	U.S.	Data was collected from 107 buyer-supplier relationships and used to test key propositions	Results indicate that the two types of trust are related but distinct and affect relational performance differently - both need to be considered; a direct link between interorganisational trust and performance is indicated - this is not so in the case of interpersonal trust	The study does not take a longitudinal approach - the in-depth understanding of how interorganisational trust builds over time is not possible with the chosen research methodology; buyer-supplier relations were the only partnering form studied; the authors also suggest consideration of contextual antecedents of trust as important - for example similarity of cultures or organisational structures among partners
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Measures that have been incorporated in recent evaluations include acquisition of learning/knowledge, satisfaction, perceived effectiveness and relational factors such as commitment or trust. Some of these are discussed next.

Lyles & Salk (1996) explored organisational, structural and contextual factors that influenced knowledge acquisition from foreign parents within 201 successful Hungarian international joint ventures. The relationship between knowledge acquisition and performance was then explored in greater depth. Participants were requested to rate performance in the following areas: business measures, competencies/human resources and a general evaluation. They establish strong links between knowledge acquisition and performance in all areas. Such factors as training support from the foreign parents and clearly articulated goals also positively influence knowledge acquisition.

Learning and protection of proprietary assets were the focus of cross-sectional collaborative outcome research by Kale, Singh, & Perlmutter (2000). This multi-industry study collected single-partner responses from 212 people directly associated with an identified US-based alliance. Key dependent variables were learning and protection of proprietary assets, and explanatory variables included relational capital and conflict management, with partner fit as a control variable. Results suggest that the importance of post-formation alliance management is under-valued and indicate a positive relationship between relational capital and learning.

Parkhe (1993b) examined the links between alliance structure and performance among US firms and their non-US partner. Performance measures consisted of three components: fulfilment of strategic needs; spill-over effects (where know-how gained in the alliance is applied to other areas); and an overall performance assessment. Data collection was accomplished through a mail survey of the US partner in these alliances. A game-theoretic examination was conducted of the relationship between performance and alliance factors such as behaviour transparency, frequency of interaction and lengthy time horizons. The study establishes links between alliance structure and performance that vary on the basis of partner nationality. Specifically, US–US alliances are strong in the spill-over effects and overall performance measure, whereas US–European alliances show stronger results in the strategic needs and overall performance measures. In contrast, the US–Japan alliances demonstrate more significant results in the fulfilment of strategic needs and spill-over effects.

Other studies have focused on aspects associated with satisfaction, achievement of objectives and overall effectiveness. For instance, Cannon & Perreault Jr. (1999) examined key market and situational antecedents of buyer–seller relationships (availability of alternatives, importance/complexity of supply, supply market dynamism), collaborative types (based on relationship connectors such as cooperative norms and information exchange), and the impact of both of these variables on customer satisfaction and evaluation of supplier performance. Measures included product quality, delivery and support. The data, gathered from buyer assessments within the dyad, were collected from a number of relationships from multiple industries. LISREL was used to explore the nature of these relationships. Key findings indicate that customer satisfaction and evaluations of performance vary across different collaborative relationship types, which are in turn affected by the antecedents listed previously.

Partner perceptions of performance and initial satisfaction were used by Saxton (1997) to assess the effect of partner reputation, similarity and prior relationships on collaborative performance. Ninety-eight dyadic relationships from the chemicals and related products industry were examined in a longitudinal, multi-country study. Satisfaction, achievement of objectives, and initial satisfaction were used to measure performance. Partner and relationship characteristics both had an influence on alliance success. This was also the case with reputation, shared decision-making and strategic similarity.

Li & Dant (1997) examined the implications for collaborative performance of exclusive dealing within a channels setting. Four hundred and sixty-one responses from firms in the US photocopier industry provided information for analysis. Relationships between relationalism (mutuality, solidarity, role integrity), communication and perceived performance (using an overall measure adapted from Bucklin & Sengupta, 1993) were explored. In general, it was found that exclusive dealing results in a more favourable performance evaluation.

Whipple (2000) used a channel setting to examine the relationship between motives for alliance formation, position within the channel and achievement of objectives. This US study included relationships from a variety of industry sectors. Responses from one partner in each alliance were used to conclude that benefits are likely to vary according to the position of the partner within the channel.

In a UK-based study of international equity and non-equity joint ventures Glaister & Buckley (1999) examined the relationship between various performance measures and a number of variables present at the time of relationship formation and those that emerge later. UK partner responses were used to isolate key findings, which indicate that there is a relationship between (a) performance and analysis prior to relationship formation, (b) other long-term relationships between the partners, and (c) appropriate partner behaviour/performance evident during the alliance.

Other studies have concentrated on aspects of alliance performance such as perceived effectiveness. Early research, such as that undertaken by Bucklin & Sengupta (1993), incorporated a perceived effectiveness measure of alliance success. This measure was designed to assess the benefits of the relationship to all partners. However, their study of co-marketing alliances in the computer and semi-conductor industries involved data collection from one partner only. Nonetheless, the study did offer a number of important findings, including the view that projects with higher payouts are more likely to succeed, and that alliances tend to be more successful in turbulent environments.

Later studies began to assess the impact of trust and commitment on alliance performance (Mohr, Fisher, & Nevin, 1996; Morgan & Hunt, 1994; Zaheer, McEvily, & Perrone, 1998). Morgan & Hunt's (1994) landmark empirical work on the commitment-trust theory examined various forms of relationship marketing within the US automobile tyre industry. Support was found for trust and commitment (some antecedents include shared values, termination costs, benefits, and communication) as key mediating variables in the achievement of objectives. Propensity to leave and future conflict were among the variables considered as consequences of relationship commitment and success. Their study does not provide any strong support for the relationship between benefits and commitment however.

Extending previous channel research, Mohr et al. (1996) examined the impact of collaborative communication on coordination, commitment and satisfaction. Their cross-sectional study of relationships in the US personal computer industry found that governance type affects performance. For instance in situations of low governance, collaborative communication is likely to influence performance.



Zaheer et al. (1998) also adopted a cross-sectional approach to study the relationship between trust (inter-personal and inter-organisational) and performance among US electrical equipment manufacturers and suppliers. Performance was measured using a four-item scale that examined the degree to which the supplier firm was able to satisfy price, delivery, quality and flexibility. Their results indicate that the impact of inter-organisational trust is more direct than that of inter-personal trust, but the large-scale survey methodology prohibits an adequate understanding of how this develops.

Canadian selling partner relationships within the computer industry were the focus of a trust-based model of alliance effectiveness by Smith & Barclay (1997). Performance was measured by examining two dimensions: perceived task performance and satisfaction. They demonstrated that trusting behaviours have a greater impact on task performance than on satisfaction.

Jap & Ganesan (2000) assessed performance in supplier–retailer relationships within the US chemical products industry. Retailer evaluations were used to ascertain supplier performance based on a previous global performance scale developed by Kumar, Stern, & Achrol (1992). Their findings show a positive relationship between perceptions of supplier commitment and performance evaluations; conflict produces a negative effect.

In another study, buyer–supplier relationships within the US hospital industry were examined (Hausman, 2001). This research addressed the impact of relational strength (consisting of inter-firm trust, commitment and relationalism) on alliance success. Performance was indicated by satisfaction and perceived performance ratings of buyers. Key findings support the impact of relational strength on alliance performance.

Blankenburg-Holm, Eriksson, & Johanson (1996) adopted a business network focus. Data were gathered on 136 dyadic international supplier–customer relationships within numerous European countries. Relationships considered important to the partner firms were analysed, and LISREL was used to examine relationships between profitability, relationship commitment and business network connections. While commitment was found to directly influence profitability, an indirect effect through business networks can be observed. This assessment of profitability is wider than a financial indicator of performance and involves the respondent's perception of overall profitability.

Cannon, Achrol, & Gundlach (2000) measured performance through an examination of product quality, delivery, sales/service and technical support. Important findings included the fact that contracts are not useful in situations of high uncertainty, and supplier performance is enhanced by contract use when cooperative norms such as flexibility or solidarity are well developed. While the implications of these issues are recognised, their study considered the impact of various governance structures on performance only from the perspective of buyers in buyer–seller relationships.

### *Studies Combining Objective and Subjective Measures*

In an attempt to capture a more complete view of collaborative performance, many researchers have used multiple measures that have included both objective and perceptual measures. Of the 52 articles examined, 16 have combined both objective and subjective measures. (These can be seen in Table 2.4.) Some of these studies are discussed next.

An early study by Harrigan (1988b) combined traditional measures (such as venture survival and duration) with assessments of success. Independent variables were constructed to examine aspects of partner asymmetry, experience and size. Although the study adopted a multi-industry and -country focus, 94% of the ventures contained at least one US partner. The findings indicate that ventures with similar partners are more successful, and asset/cultural/experience similarity all contribute to longer duration.

Partner attributes were investigated further in Mohr & Spekman's (1994) study of vertical relationships between manufacturers and dealers within the US personal computer industry. Performance was conceptualised by examining satisfaction and dyadic sales.

Independent variables focused on partner attributes, communication and conflict. One hundred and forty responses from one of the dyad partners were used to generate key findings that indicate the importance of coordination, commitment, trust, communication quality, information-sharing, participation and joint problem-solving in achieving objectives.

**Table 2.4: Studies Combining Subjective and Objective Measures of Collaborative Relationship Performance**

Study	Relationship Type	Main Issue	Theoretical Influences	Industry/sector/product group	Country Focus	Data Collection	Key Findings	Limitations
Aulakh, Kotabe and Sahay (1996)	Focus on manufacturer-foreign distributor and licensor-foreign licensee partnerships - partnerships are defined as any long-term relationship that exists between two firms	The study identifies the antecedents of trust in cross-border marketing partnerships and examines the relationship between trust and performance	Adopts a behavioural approach	Data were collected via mail survey of U.S. Fortune 500 industrial firms and their affiliates;	U.S. partnerships in Asia, Europe and Central/South America	652 potential respondents were identified - 181 marketing partnerships were considered in the study; information was collected via a mail survey	Findings support the importance of relational norms and monitoring mechanisms as important determinants of trust and performance in international partnerships. Social control has positive consequences for trust and market performance but this is not the case with process and output control. Additionally, trust counterbalanced the possibility of opportunistic behaviour	The study adopts a cross-sectional design that precludes a dynamic two-way examination of the trust:performance relationship; information from only one side of the dyad is used and only one type of performance (market share and sales growth) is considered; a further limitation is the conceptualisation of trust along a behavioural dimension only
Bruce, Leverick, Littler and Wilson (1995)	Collaborative ventures	This research examines risks and costs of collaborative product development	Collaborative product development	Information and communication technology (ICT)	U.K.	A mail questionnaire to 100 ICT product suppliers provided data; the survey sought information on such things as reasons for collaboration, process issues, risks and success indicators	Findings highlight that collaboration may lengthen the product development process and heighten the collaboration vs. competition tension;	This is a small study of U.K. based firms
Dussauge, Garrette and Mitchell (2000)	Alliances	This study examines the outcomes and duration's of alliances (differentiating scale and link alliances) among competing firms, using alliance outcomes as indicators of learning	Resource-based view, transaction costs	Manufacturing industries such as - automobiles, aerospace, telecommunications/electronics	Involve partner firms from U.S., Canada, Western Europe, Japan or Korea	Agreements that operated in one of the partners' home markets were considered; data were collected from secondary sources on 227 alliances; alliance outcome variables included reorganisation, takeover, continuation, and dissolution	This study demonstrates the differences in learning created by alliance type resulting in different outcomes; link alliances are more likely to result in takeover or reorganisation than scale alliances - this also applies when alliances are formed with competing firms	The study does not directly observe learning; the impact of external or contextual factors on alliance outcome are not captured; the alliances involve competing partners - this results in questions surrounding their application to alliances between non-competing firms

Harrigan (1988b)	All 'ventures'	The study focuses on facets of successful venturing - including partner asymmetries		Varied industries were represented	Predominantly included at least one U.S. partner	Three stage methodology: background information collected; interviews conducted; delphi-method questionnaire implemented; venture performance was determined by considering survival, duration and sponsor-indicated assessments of success	Ventures that involve related partners (product/market/ technology) or horizontal-relatedness are more successful; similarity in cultures, asset size and experience are associated with greater duration - as is relatedness in venture activities; results also suggest that competitive needs should be of greater consideration than partner characteristics in partnering	93.4% of the ventures studied included one U.S. partner; in addition, variables used to determine joint venture performance (duration, survival) are questionable
Hoffman and Schlosser (2001)	Strategic alliances	This study aims to identify critical success factors in alliance-making with consideration to SMEs	Alliances, critical success factors	Commerce, trade, manufacturing, services	Austria	Austrian companies were identified and 1000 randomly selected SMEs were contacted; 164 usable questionnaires were obtained; the impact of various variables on alliance success were examined	Results show that certain content oriented variables are important for alliance success – eg: contributing specific strengths; process oriented variables such as deriving alliance objectives are also important; this indicated that soft factors such as trust were important but not sufficient and alliance success depended on building strategic compatibility and organisational design	Study had a one country focus; the methodology did not allow for analysis of responses that each partner may have had towards a particular alliance

Human and Provan (1997)	Strategic manufacturing networks	This study compares aspects of two networks of small- to medium-sized manufacturing enterprises	Network theory*	Wood products	U.S.	Three issues influenced the data collection: outcomes of network participation; do firms in networks differ in outcomes from their non-network counterparts; how are these networks are structured; data were collected through interviews and later with questionnaires	The main finding was that involvement in a network could produce various positive outcomes	The study includes only two networks; also all firms in the networks were not included - this may result in certain conclusions that are not applicable to these other firms
Jap (1999)	Buyer-Supplier relationships	This paper examines the role of environmental, interpersonal and interorganisational factors in the process of creating mutually beneficial outcomes among buyers and suppliers	Resource-based view; marketing; organisational behaviour; social psychology	Manufacturing firms: computer, chemicals; photography equipment; brewery	U.S.	Data collection reflected a temporal ordering; questionnaires followed a few in-depth interviews	Profit is enhanced through coordination efforts and investments - these in turn result in competitive advantage	The study considers dyads among a limited range of industries - these need to be expanded in order to produce generalisable results
Kale, Dyer, Singh (2002)	Alliances - encompassing a variety of relational forms	This paper considers the factors that influence firms' ability to build alliance capability and succeed (stock market gains; managerial assessments of long-term performance). It also considers the correlation of these two forms of assessing success	Organisational learning, evolutionary economics, knowledge-based view, dynamic capabilities	Computers, pharmaceuticals, telecommunications, chemicals, electronics and services	U.S. database	An exploratory study was followed by a large-scale mail survey; explanatory variables were alliance experience and dedicated alliance function; the dependent variable was alliance performance - measured by stock market values and managerial assessments	Key finding was that a dedicated alliance function was a more important indicator of success than previous alliance experience	The study does not collect specific information on structural options associated with a dedicated alliance function; the importance of the findings also need to be assessed across different forms of alliances; finally, the research did not capture evolutionary aspects of the alliance function

Lin and Germain (1998)	International joint ventures	The study presents a framework that links international joint venture context (cultural similarity, relative power, relationship age) to performance (satisfaction); the role of conflict resolution as a mediating effect is discussed	Joint venture strategy, conflict resolution literature*	Varied firms from a variety of industries	U.S.-China	A list of 309 US-Chinese joint ventures was compiled for the US-China Business Council databases; final sample consisted of 94 managers (35 US and 59 Chinese) based in China; data were collected through a self-administered questionnaire; LISREL was used to model the direct and indirect effects of contextual variables - mediating effects of conflict resolution variables (problem-solving; forcing; compromising; legalistic strategy) were assessed	Cultural similarity (as distinct from nationality) was highlighted as an important antecedent for success of the joint venture and it stimulated a problem-solving approach to conflict resolution; the relationship of power with performance was not significant but it impacts on the way in which conflicts are resolved; the effect of age on performance was significant - it was linked to a problem-solving approach to conflict with less reliance on legal agreements	The research only considered US-China joint ventures and focussed only on successful partnerships. Also, only managers that were on-site were included - parent company managers were not part of the sample; the study also adopted a cross-sectional focus with single-informants; the authors call for case research and longitudinal data collection to overcome some of these problems
Lyles and Baird (1994)	International joint ventures	This study examines the performance of international joint ventures	Joint venture effectiveness, resource-based theory, population ecology, strategic management	Predominantly manufacturing and services	Hungary and Poland	Data were collected through interviews with senior managers involved in the joint venture; the survey instrument was based on previous surveys; pretesting was carried out; performance measures included achievement of objectives, rating of the domestic parent of the joint venture effectiveness, the perceived rating of the foreign parent of the joint venture and the rating by a joint venture manager. Local Chamber of Commerce offices and associations were used in both countries to identify joint ventures	Assistance from the foreign partner, employee advantages and domestic parent influence all showed a positive influence on performance; however, foreign dominance in decision-making was negatively related to performance	This study only centered on joint ventures in two countries - some bias may exist based on the countries selected; it appears that foreign parents were not actually interviewed; many other factors such as context and relational aspects were not considered

Mohr and Spekman (1994)	Vertical relationships between manufacturers and dealers	This paper examines various characteristics associated with partnership success	Various	Personal computer industry	U.S.	Data was gathered through mail surveys of computer dealers - 140 usable responses were returned; dealers were randomly assigned a manufacturer; sales volume, of the product and in total, were used to assess success; satisfaction with aspects of the partnership was also used to determine success; attributes of the partnership (eg: commitment, trust, coordination), communication and conflict were also considered	Results indicated that the following variables were important in predicting success: coordination, commitment, trust, communication quality, information sharing, participation, joint problem solving	The single-industry focus provides a barrier to transferability of results; data was only collected from one side of the dyad and a single-informant;
Miles, Preece and Baetz (1999)	Strategic alliances - defined as any close cooperative relationships	Examines the use of strategic alliances and their impact on the performance of early-stage, small technology-based firms	Resource dependence	Varied firms from the technology sectors including: multimedia, integrated circuits, medical diagnostic instrumentation	Canada	Sample was drawn from a database of 298 Ontario based firms that had received funding through an assistance program. A mail survey was conducted. Independent variables were strategic alliances, dependence on alliances and availability of partners; dependent variable was performance	Results show that these firms are likely to use alliances but dependence on alliances is associated with poorer performance	A key limitation is the narrow industry focus - this limits the generalisability of results

Robins, Tallman and Fladmoe-Lindquist (2002)	International cooperative ventures	This study the relationships between resource contributions of parent firms and managerial assessment of venture performance in order explore cooperative ventures within the context of developing economies	Resource dependence, resource-based view and transaction costs	No categories specified	U.S.-Mexican ventures	The American Chamber of Commerce in Mexico provided a list of 500 firms involved in active ventures in Mexico; 72 supplied all relevant data; data was collected on resource contributions, performance, objectives of the U.S. firms and some descriptive data; performance measures included overall strategic performance, growth, sales, management development	The research finds that mature cooperative ventures are expected to achieve autonomy from parent firms in key areas, but certain forms of dependency are important to success	The study only focuses on established ventures - ventures that did not succeed are not included in the sample; the study adopts the perspective of the foreign partner - eliminating the ability to examine differences between both partners evaluation
Sarkar, Echambadi, Cavusgil, Aulakh (2001)	International alliances	This paper examines the impact of partner characteristics on the performance of alliances	Multi-disciplinary – including relational exchange	International construction contracting	U.S. and 18 other countries	Data were collected using a self-administered questionnaire; in-depth semistructured interviews with industry experts were used to refine the survey instrument; the sample consisted of 561 contractors - comprised of top firms in the U.S. and overseas; respondents were asked to respond to questions on a non-equity alliance they were familiar with; 68 usable responses were received; performance was measured with strategic performance; project performance; relational capital was measured by trust, commitment and information exchange; cultural compatibility, operational compatibility and resource complementarity were used to measure diversity	Findings suggest that complementarity in partner resources and compatibility in cultural and operational norms have a direct/indirect impact on alliance performance; partner selection needs to be complemented by relationship management routines to maximise benefits from an alliance	This study adopted a cross-sectional approach to data collection, collected information from one side of the dyad and only used a single-informant; the industry focus may also limit the generalisability of findings to other contexts



Simonin (1997)	Strategic alliances	This study proposes and tests a model of knowledge-transfer in alliances	Resource-based view, knowledge-based perspective	Not specified	U.S. - domestic and international alliances	A random sample of 1000 firms was generated from a U.S. company directory; 151 completed responses were received; the majority of firms were large - employees of over 2500; LISREL was used to model the relationships between key constructs; tangible and intangible collaborative benefits were included	Results suggest that experience must be internalised and collaborative know-how developed for this in order to contribute to future collaborative benefits; an indirect link is established between past experience with collaboration and performance – collaborative know-how is suggested to be a possible mediator	The study included only very large firms and adopted a single-informant method
Spekman, Kamauff Jr and Myhr (1998)	Supply chain management partnerships	Examines supply chain management as it is applied to developing and sustaining competitive advantage	Encompasses elements of logistics, distribution, marketing, operations and procurement	Five broad industry groupings included: life sciences, oil and gas, consumer products, utilities and manufacturing	North America, South America and Europe	Sample of 22 aggregate supply chains was generated from client list of research sponsor; questionnaire (comprised of items from past studies) resulted in 161 responses and concentrated on factors such as workflow, information flow and supply chain performance; regression analysis was performed to explore the effects of various variables on performance	Two measures of performance were developed: one focused on the contribution to cost reduction and the other examined customer satisfaction. Suggest that interdependence and information sharing are key ingredients in an integrated supply chain whose goal is customer satisfaction. Trust and commitment affect customer satisfaction; also information technology is an enabler and is key to the development of an integrated supply chain.	The study only examines supply chain partnerships and has a limited focus. The selection of firms from a predesignated client list also limits the findings somewhat.

Simonin (1997) combined tangible (return on investments and return on assets) and intangible (learning) benefits of collaboration in his study of US strategic alliances. The study included large firms and adopted a single-informant research method. LISREL was used to model the relationships between collaborative experience, collaborative know-how and both tangible and intangible benefits. Results suggest the importance of internalising experience, and of developing the know-how to achieve this, if contributions are to be made to future collaborative benefits. An indirect link is also established between past collaborative experience and performance.

Robins, Tallman, & Fladmore-Lindquist (2002) adopted an even broader approach. Their study of successful US–Mexican international cooperative ventures assessed the relationships between resource contributions of parent firms and foreign-partner assessment of collaborative performance. Measures included strategic performance, growth, sales, labour productivity and quality of goods and services. Partial least squares analysis was used to determine path models between parent contributions and performance on three dimensions: quality, strategic resource development and human resource development. For instance, contributions of strategic resources by US parents and local resources by Mexican parents had a positive effect on performance. They also found that contributions of operating resources affect strategic performance through quality performance. The authors contend that adopting a resource-based and transaction-cost perspective highlights the fact that certain forms of dependency are important to collaborative performance.

Foreign partner influence on decision-making was the focus of research conducted by Lyles & Baird (1994). In their study of international joint ventures in Hungary and Poland, performance was measured by examining achievement of objectives, domestic parent ratings of joint venture effectiveness and a perceptual rating of the foreign parent by the joint venture manager. The study highlighted the positive impact on performance of such influences as employee advantages, flexibility, and assistance from the foreign parent, and the negative effect of foreign parent decision-making, the number of foreign managers and the magnitude of problems experienced.

In another study of small Canadian technology firms dependence was associated with poor performance (Miles & Snow, 1992). Collaborative performance was assessed

through managerial perceptions, and other independent variables included alliances, dependence and availability of partners.

Aspects of strategic logic and the link to collaborative performance among competing firms were the focus of a study by Dussauge, Garrette, & Mitchell (2000). Outcome differences were highlighted among scale and link alliances. When referring to aspects of strategic logic, link alliances involve complementary skills and resources from the various alliance partners. Scale alliances involve relationships where the partners make similar contributions in resources and/or skills. The key dependent variables were reorganisation, takeover, continuance or dissolution of the alliance. The independent variables were associated with alliance type, location, activity, number of partners, and year of foundation. A crucial finding was that link alliances are more likely to result in takeover or reorganisation, and are more likely to result in higher levels of learning and knowledge acquisition.

Impacts of inter-firm compatibility and relational factors were also examined by Sarkar, Echambadi, Cavusgil, & Aulakh (2001). Specifically, relational capital (trust, commitment and information exchange) was suggested as a mediating force between inter-firm factors (resource complementarity, cultural compatibility and operational compatibility) and collaborative performance which was considered on two dimensions: strategic performance (meeting objectives) and project performance (profitability, efficiency, client satisfaction, quality). Based on single-informant data from the international construction contracting industry, their findings indicate that complementary resources and compatibility in both cultural and operational norms have a direct impact on performance.

The role of the alliance function on collaborative performance was considered in Kale et al.'s (2002) study. This research drew its sample from a US database of firms from a variety of industries. Two performance measures were used: stock-market value following alliance announcements and managerial assessments two years post-formation. The key explanatory variables were alliance experience and a dedicated alliance function (including partner selection, negotiation or termination-related aspects). The existence of a dedicated alliance function was found to be a more important indicator of performance than previous alliance experience.

A wider view of factors influencing collaborative performance was adopted in work by Jap (1999). Buyer–seller relationships within US firms from multiple industries were used as a sample. The process of collaboration was examined by considering facilitating conditions (environmental, organisational and inter-personal) on the dyad's behaviour (coordination effort and investments), and finally the strategic outcomes achieved. Achievement of objectives was considered by examining profit and realised competitive advantage. It was found that profit is enhanced through coordination and investments, which in turn leads to competitive advantage.

A process view was also evident in the alliance research conducted by Hoffman & Schlosser (2001). The identification of various critical success factors was considered in their study of strategic alliances between small and medium-sized businesses in Austria. The influence of the identified success factors was assessed by examining both subjective (managerial assessments) and objective measures. While many factors were identified as having an impact on alliance performance, those that do not demonstrate any considerable influence are form, level of partner in chain of distribution, objectives of alliance, configuration and the company's market strategy.

The impact of relational factors on performance was also a consideration in Aulakh, Kotabe, & Sahay's (1996) study of US partnerships in Asia, Europe and Central-South America. Specifically, the study identifies antecedents of trust and collaborative performance within this context. Information from one side of the dyad demonstrated that relational norms and monitoring mechanisms are important determinants of trust, which in turn have an impact on performance (measured by ratings of market share and sales growth).

Other studies have adopted a very specific focus in their consideration of collaborative performance. For instance, Bruce, Leverick, Littler, & Wilson (1995) considered the factors affecting collaborative product development evident in the information and communication technology sector in the United Kingdom. Their research focused on success measures articulated by the respondents, including experience to be gained, reputation benefits, changes to the competitive structure of the industry, and effect on customers. Lin & Germain (1998) examined the mediating effect of conflict resolution strategies between context (cultural similarity) and outcomes among US–China joint ventures. They measured success using partner satisfaction with financial performance,

personal relationships and the overall international joint venture relationship. Both cultural similarity and age proved important for success as they encourage conflict resolution behaviour, but no significant impact was observed between power and success.

Many studies have also focused on the implications of different collaborative forms. Supply chain management partnerships were the focus of work by Spekman, Kamauff Jr, & Myhr (1998). The research focused on aspects of supply chain management, such as work and information flow. Collaborative performance was measured through an examination of costs and customer satisfaction. Trust and commitment were found to affect customer satisfaction, and information technology is seen as a key to the development of an integrated supply chain in this setting.

Human & Provan (1997) adopted a network theory perspective to examine two small U.S networks of wood products manufacturers. They considered inter-organisational exchange, organisational credibility, access to resources, and financial performance. Whilst their work included both qualitative and quantitative techniques, their qualitative work suggested that involvement in a network can produce positive performance.

Overall, the studies discussed above advance our knowledge of alliances considerably. For instance, from this work we are aware of the impact that technology and technological complexity is likely to have on alliance formation and performance (eg, Afuah, 2000; Mitchell & Singh, 1996). Afuah (2000) suggested that technological changes that cause obsolescence in supplier firms can affect buyer firm performance. Others highlighted that technological complexity has a negative impact on business survival, which is moderated partially by alliance activity through decreased risk (Mitchell & Singh, 1996; Singh, 1997).

The influence of form on collaborative outcomes is also indicated as significant. The number of partners is a factor in alliance success, as are contract completeness and cooperation (Hu & Chen, 1996; Luo, 2002). Various aspects of collaboration are examined. Li & Dant (1997) found that exclusive dealing is important for success, Hu & Chen (1996) noted the importance of partner commitment, and Saxton (1997) highlighted the role of partner-related characteristics. Bucklin & Sengupta (1993) suggested that power imbalances are detrimental to alliance operation and Harrigan

(1988b) found that partner characteristics should be of less consideration than competitive factors.

In addition, the importance of learning is highlighted (Kale et al., 2000; Lyles & Salk, 1996), and the idea that this varies among collaborative form is also offered (eg, Dussauge et al., 2000).

### 2.2.3 Empirical Contributions—Summary

The literature reveals a paucity of studies examining collaborative performance within a qualitative research design. Given the continued confusion in the area of collaborative outcomes, it is interesting to note the lack of qualitative studies that have examined the link between various aspects or antecedents of collaborative relationships and performance. Such a study may have contributed to an in-depth understanding of collaborative success.

Overall, while each of the studies discussed previously provide individually useful insights into collaborative success they do not necessarily offer a conclusive picture of the factors that may improve the performance of collaborations—regardless of collaborative type, industry or country. An in-depth examination of recent work provides some insight into why conceptual and empirical contributions have so far failed to address the questions of relationship failure and performance adequately. Possible reasons for the continued gap in our understanding of collaborative performance are proposed below.

In the first instance, the *industry focus* adopted in many of the studies needs to be considered. Although some research examined collaborations from a cross-section of industries (Alajoutsijärvi et al., 2000; Aulakh et al., 1996; Blankenburg-Holm et al., 1996; Chowdhury, 1992; Gulati, 1999; Harrigan, 1988b), many studies concentrated on a single industry (eg, insurance, hospitals, automobiles or semi-conductors—Burgers, Hill, & Kim, 1993; Hamel, 1991) or area (eg, technology-related industries). These classic empirical studies provide considerable insight into collaboration within a particular industry, without providing any clear conclusions regarding a generalisation of findings to other settings. The transferability of findings from the US personal computers industry to German automobile manufacturers, for instance, is difficult. A key issue therefore concerns the extent to which studies conducted in diverse industries

offer differing conclusions. For example, Glaister & Buckley's (1999) study of UK-based international joint ventures from the manufacturing and tertiary sectors suggests the importance of pre-formation analysis. In contrast, Kale et al.'s (2000) research on US alliances from the technology, chemicals and pharmaceutical industries points to the need for post-formation management.

The variety of *disciplines* contributing to the commentary has also resulted in various diverse collaborative forms being considered within particular theoretical perspectives. Consequently, it would appear that extant research on collaborative relationships provides considerable insight into issues such as why firms collaborate and how these relationships are structured. For example, while international business concentrates on joint ventures, traditional marketing literature examines supplier-buyer agreements and joint marketing alliances.

It is also apparent that many studies focus on a single *collaborative type*. For example, some researchers concentrate on an in-depth exploration of buyer-supplier relations (eg, Alajoutsijärvi et al., 2000; Hausman, 2001; Jap, 1999; Paun, 1997; Zaheer et al., 1998), whereas others examine international joint ventures (eg, Geringer, 1991; Glaister & Buckley, 1999; Hu & Chen, 1996; Hyder & Ghauri, 2000; Lin & Germain, 1998; Luo, 2002; Lyles & Salk, 1996). This tight focus allows for an in-depth examination of the effects of a particular collaborative form on performance, but limits the applicability of findings to alternative structures. Only a few studies consider multiple forms of collaborative forms (eg, Doz, 1996; Dussauge et al., 2000; Harrigan, 1988b; Hoffman & Schlosser, 2001). While this focus was seen in earlier studies (Bucklin & Sengupta, 1993; Harrigan, 1988a), it is still demonstrated in more recent work (eg, Luo (2002) considers international joint ventures only, while Whipple (2000) considers supply chain management relationships).

Of particular concern is the extent to which studies of different *types of relationships* reach different *conclusions* regarding the influence of antecedents and variables on performance. For instance, in his study of strategic alliances, Simonin (1997) suggested that experience with collaboration is important, whereas Kale et al.'s (2002) study of learning alliances concluded that a dedicated alliance function is far more important than previous alliance experience. Further studies examined the dyad or partnership, but failed to adequately consider the network of firms that may have an impact on the

relationship and its performance. Thus the relationship focus did not accurately consider all possible influences.

While a multi-disciplinary approach to the research area might be regarded as an advantage, a major weakness has been that no single theory of collaborative relationships has been developed that is holistic and applicable in all settings. Thus, the *theoretical perspective* adopted in the research design also differentiates the papers, and these theoretical influences vary considerably. Hence, some examinations of joint ventures are influenced by joint venture theory and internationalisation (eg, Chowdhury, 1992; Glaister & Buckley, 1999); others adopt a multi-disciplinary perspective (eg, Hu & Chen, 1996; Hyder & Ghauri, 2000). When assessing the performance of collaborations, a key concern is that the theoretical perspective adopted influences how performance is measured. For instance, a transaction cost approach may assess performance by examining the minimisation of economic costs associated with collaboration. In comparison, a resource-based perspective would focus on access to resources, or resource dependence might involve an examination of the extent to which collaboration alters the balance of power among participating firms. For example, Miles, Preece, & Baetz (1999) found that dependence on alliances is associated with poor performance using a resource-dependence perspective. This can be compared with Mitchell & Singh (1996) who found that collaboration is good for survival within their complexity theory examination.

Further, many studies have had a single *country focus*. In addition, the focus of many empirical studies has been on large firms and, in many cases, large home markets. It is evident that at least 37 of the papers included in this literature review demonstrated a strong US orientation, and only a small number adopted a multi-country focus. The majority of empirical studies are US- or UK-based. Fewer still appear to offer a New Zealand or Australian perspective. It is conceivable that the size of the home market, the nature of NZ-based industries and the geographic location of the country would all have an impact on collaborative relationships to some extent. The applicability of such findings in countries the size of New Zealand, which has only a small number of large firms, is questionable. New Zealand differs in terms of its distance from main markets, its low level of technological intensity, the openness of the economy and the ease of foreign direct investment.



In other studies, research has concentrated on an in-depth understanding of a single or limited number of *antecedents and/or factors* and their impact on collaborative success. These detailed examinations make a valuable contribution but are complicated when an attempt is made to integrate diverse studies on antecedents and success of collaboration that have been conducted in many differing research settings. More importantly, this focus fails to comprehensively capture the complex interrelationships among antecedents and/or factors and performance.

In order to progress this research key elements identified in the literature, and a discussion of collaborative performance, are outlined below.

### *Context*

The extant literature indicates that various attempts have been made to understand contextual influences on collaborative success. Aspects evident in the literature include:

- Firm characteristics – eg, product:market characteristics, firm size
- Industry characteristics – eg, competition, efficiencies
- Globalisation – eg, nature of host country, entry mode
- Environmental characteristics – eg, customers, suppliers, political/legal factors
- Technology – eg, rate of change, complexity.

Context also provides some indication of why certain firms may be prevalent in certain environments, and how their ability to perform may vary. For the purpose of this research, “context” is simply taken to refer to those circumstances associated with the participants, environment or other organisations that may have affected the collaboration. In the first instance, an emphasis is placed on factors evident prior to the relationship.

### *Form and Formation Process*

The impact of the various forms of collaboration on collaborative outcomes is evident in the empirical work discussed. Aspects such as prior experience, the nature of the agreement and the number of partners have all been examined. However, a greater understanding of collaborative types, the nature of their formation process and the consequent impact on performance is still required. For this study, form and formation process will encompass aspects of form (eg, structure) and the actual process through

which the relationship was formed (eg, who initiated the partnership, how long it took). This incorporates the motives for collaboration.

### *Partner Selection and Opportunity*

Partner selection and opportunity have been discussed extensively in recent literature. Conceptual papers have indicated that selection and opportunity have an impact on performance (Das & Teng, 1997), and suggestions have been made that an ideal partnership would involve complementary resources and skills (Bleeke & Ernst, 1995; Brouthers, Brouthers, & Wilkinson, 1995). Empirical work discussed earlier in this chapter also demonstrated that ventures are more likely to be successful when the partners are related (Harrigan, 1988b).

The collaborative motives and activities undertaken by the alliance are also considered. While empirical studies have examined such issues (Geringer, 1991), suggestions for future research are still relevant, such as:

- the need to examine the link between partner selection and performance
- the need to study both recent and older relationships.

Within this study, partner selection and opportunity encompass the factors outlined above.

### *Relationship Dynamics*

Various relational variables have also been noted in the literature. These include trust, commitment, shared values, communication, and the importance of strong personal relationships. Additionally, many empirical links have been made. For example, in Bucklin & Sengupta's (1993) study inter-organisational relationship factors such as compatibility and quality of personal relationships are positively associated with alliance performance. A key concern, however, is to understand what aspects of relationship dynamics distinguish positive/productive exchanges from negative/unproductive ones (Morgan & Hunt, 1994). For the purpose of this study, relationship dynamics will attempt to include trust, commitment, conflict resolution, power, shared values and any other factors considered important by managers.

### *Collaborative Outcomes*

The extant literature reveals a host of measures for alliance performance. These include subjective measures, objective measures and a number of measures that incorporate both. The empirical studies outlined above have incorporated numerous measures of performance; this study wishes to depart from prior research by examining those elements of performance suggested as relevant by the managers concerned.

Geringer's (1991) suggestions for future research are also applicable in relation to performance. Specifically, he highlighted the need to examine all partners' evaluation of performance using multiple measures.

In their eagerness to advance our understanding, many studies have compromised their value by failing to adequately consider how the design of previous studies could be improved. For instance, studies continue to collect information from only one partner within the relationship, despite recognition of the constraint that this places on the validity of the data collected. In addition, studies often further limit the results by collecting information from only a single informant within each firm. These design characteristics were seen in early studies such as Bucklin & Sengupta (1993), and they are demonstrated still in such recent studies as Kale et al. (2000).

Other researchers have adopted a static examination of collaborations. Although this approach is convenient for the researcher, it fails to accommodate the dynamic nature of collaborative relationships. Despite the early recognition of problems associated with this design characteristic (eg, Hennart, 1988), and continual calls for a longitudinal approach (eg, Ring & Van De Ven, 1994), cross-sectional pictures of collaborative activity dominate extant literature. Recent studies that have adopted a longitudinal approach (eg, Hyder & Ghauri, 2000) have limited their findings by considering joint ventures only, or by collecting responses from only one partner (eg, Kale et al., 2000). Many studies provide useful information but exhibit more than one of these characteristics. For instance, Sarkar et al.'s (2001) consideration of factors influencing alliance performance adopted a cross-sectional approach, collected information from one side of the dyad, and uses only single informants.

A further issue evident in the literature is the confusion surrounding construct development and measurement with regard to the antecedents/factors and performance

of collaboration. Definitions, terminology and measures have created disparate measures across studies. Some researchers have utilised measures such as stability or longevity (Chowdhury, 1992; Harrigan, 1988b), while others (Hamel, 1991) have pointed out problems associated with their use. Hamel suggests, for instance, that if learning is the desired collaborative outcome, then a long-lived alliance may in itself provide no indication of the extent to which that collaborative objective has been achieved.

An additional, very important aspect that appears to be absent from many of the studies is a strong managerial focus in evaluating performance. While numerous studies ask managers to assess performance on pre-designed scales, studies that actually require managers to generate lists of alliance-specific elements and objectives appear sparse. From this perspective, while a lot of academic research may be rigorous, it risks being far removed from the key employees involved in the day-to-day management of an alliance. This could well diminish the research's final relevance, and consequent value, to the business world the research is aimed at equipping.

Finally, it is also apparent that many of the studies include only successful alliances in their sample. This prohibits learning from alliances that fail. The cross-sectional approach of most studies also limits our understanding of how collaborative elements develop and evolve through the collaborative process.

The extant literature provides us with numerous collaborative antecedents and/or factors that may influence collaborative performance. Some studies consider the influence of environmental variables, while others focus to a greater degree on the performance impacts of collaborative factors. Many researchers have also examined partner or organisational influences on performance. Empirical work that attempts to tie these antecedents and/or factors together in an empirical examination of performance is lacking. This is significant given the fact that, in a large-scale quantitative study, if important factors are omitted and those are correlated with the variables that are included, the relative importance of the variables in influencing performance might be overstated.

Studies conducted as early as the 1980s have associated various antecedents to collaborative performance, and these issues continue to captivate the interest of

researchers (see, for example, Harrigan, 1988b, or Kale et al., 2000). The literature discusses such antecedents as context, partner selection, form-related and relational variables as all having an impact on collaborations. Early findings have indicated that there are key contextual differences in collaborations. For instance, collaborative relationships have been suggested as particularly useful in certain industries or in dealing with cultural barriers associated with accessing overseas markets. For example, Duysters & Hagedoorn (1995) have suggested that there are collaborative benefits in the high-tech arena, whereas other researchers have outlined the attractiveness of collaboration in industries undergoing globalisation (Bucklin & Sengupta, 1993).

Overall, the research area has been dominated by large-scale quantitative studies attempting to generate further empirical findings. Unfortunately, many of these studies have been unable to capture the complex interrelationships of factors influencing collaboration. So whilst studies might indicate the importance of a particular antecedent or factor (eg, exclusive dealing leads to a more favourable performance evaluation), what is missing in many studies is an in-depth exploration of '*how*' and '*why*' this might be the case. A repeated call for careful design and application of alternative methodologies has been ignored or at best only partially heeded.

*In summary*, several overriding themes can be identified in the current literature:

- Managerial contributions to the dialogue need to be given greater priority if the cycle of collaborative relationship failure is to be combated. We need to understand what collaborative performance entails from a managerial perspective.
- A clearer link between the antecedents/factors and the performance of collaboration needs to be established. This consideration needs to allow for the inclusion of all relevant antecedents/factors and their interrelationships.
- Identification of a wider range of antecedents/factors needs to be undertaken. In particular, the examination needs to be more open to understanding '*how*' and '*why*' certain factors may lead to success.

The current research remains fragmented (Vyas, Shelburn, & Rogers, 1995) and fails to provide a holistic view of collaboration. The call continues for research that concentrates on developing a total picture of collaborative relationships (eg, Miles et al.,

1999). Some consensus needs to be reached on which factors contribute to the positive performance of collaborative relationships, regardless of collaborative type or context.

Nonetheless, further large-scale studies may not necessarily be an appropriate methodology for addressing these research issues. Due consideration of the factors outlined above is necessary for developing a collaborative relationship framework that is holistic, based on sound design, and is able to capture the nature of managerial practice. Without addressing these issues, research on collaborative relationships is likely to progress in a fragmented manner precluding any true advancement in holistic knowledge. The key dimensions of the extant literature offer some established measures and useful insights, but they need to be extended into the wider, more complex world of live business management.

### **2.3 Key Dimensions in the Extant Literature**

The final stage in the literature review has involved identifying major dimensions regarding collaborative relationships evident in the literature.

#### **2.3.1 Performance**

The first dimension concerns performance, covering relationships that have succeeded and those that have failed. The literature review clearly demonstrates that researchers have been keenly interested in the issue of collaborative performance, but their consideration has been complicated by the variety of techniques used within the research and the influence of the theoretical perspective adopted. A consideration of performance which is devoid of many of the constraints evident in previous studies is, however, warranted. The scope of this dimension also needs to be broadened to include, for example, different, discrete phases in performance and an exploratory focus on failure which is more equal to that currently aimed at success.

#### **2.3.2 Level of Technology**

A second dimension that has attracted considerable interest in the study of collaborative outcomes is the level of technology associated with the relationship. This involves examining the extent to which the collaboration involved a high or low level of technology in the core collaborative activities or industry. The consideration of

technology is important because it has been highlighted as an important motivator in collaboration. Specifically, the literature suggests that alliances are important in dealing with complex, high-technology products or environments.

### 2.3.3 Partner Location and Geographic Focus

A third dimension is the location of the partner and the geographic focus of the relationship. Specifically, this involves a consideration of whether the partner is a domestic or international firm and of where the activities of the relationship are conducted. A comparison of international and domestic partners is crucial given that access to resources is cited as a common motivation for cultural differences. These factors are also postulated to explain the failure of many alliances.

### 2.3.4 Strategic Logic

The final dimension is the strategic logic that guides the alliance formation. The resource inputs contributed to a relationship determine the resulting logic. In this regard, alliances where partners contribute similar resources are said to have 'cumulative logic', and those that involve differing contributions form an alliance exhibiting 'complementary logic'. The examination of logic is important in a study of performance because prior research has suggested that alliances between complementary partners are more likely to be successful.

Chapter 3 discusses the incorporation of these dimensions in the research design.

## Chapter Three: Research Method

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## Chapter Three: Research Method

### 3.1 Overview

This chapter discusses details pertinent to the research method, including a reiteration of the term ‘collaborative outcomes’ and an examination of the research focus, objectives and design. This is followed by an explanation of the data collection and analysis procedures.

The chapter commences with a discussion of the term ‘collaborative outcomes’ before reemphasising the identified research gap. The discussion of empirical contributions outlined in Chapter 2 reiterates the problems associated with understanding and measuring collaborative performance. In reporting the findings of this study the terms ‘collaborative outcomes’ and ‘achievement of objectives’ will be adopted. Firms may enter a collaboration with a set of objectives. Some of these may be shared among the collaborative partners; some will not. Also, the complexity and dynamics associated with a collaboration may change the extent to which these objectives are shared. Collaborative outcomes are predominantly related to the achievement of objectives. The link between collaborative outcomes and achievement of objectives is important, and allows for inclusion of the multiple and varying objectives that might be important in an alliance.

However, the achievement of objectives does not ensure that the alliance outcome will always be positive. In this sense, a collaboration may exhibit a set of objectives that are shared but the collaboration could still be dissolved. So, whilst the achievement of objectives essentially refers to the achievement of desired outcomes, the distinction outlined above will become apparent in Chapter 4 in the detailed case summaries. In this situation, the reader needs to separate the objectives or outcomes sought within a collaboration from a broader ‘outcome’ (eg, dissolution of the relationship) that might be more readily visible.

The current research deals with the limitations of previous work by:

- addressing some of the methodological challenges associated with the study of collaborative relationships

- identifying those elements/factors which might influence collaborative outcomes that have not received much attention in the literature, and providing additional insights into some of those that have
- incorporating the perspectives of multiple participants involved in each collaborative relationship
- offering an integrated view of collaborative relationships from managerial and theoretical perspectives.

This study aims to provide a view of collaborative outcomes guided by sound methodological principles. Key research focus, design considerations and analytical procedures are discussed next.

### **3.2 Research Focus**

The primary focus of this research was to improve our understanding of collaborative performance in New Zealand, from the perspective of participating managers. The intention was to analyse the data generated from in-depth research techniques as the basis for progressing theory development on collaborative outcomes. Research findings also provide managers with practical strategies for collaboration that are based on sound research grounded in managerial practice.

As outlined in Chapter 1, broad objectives were identified to address research opportunities in the area of collaborative outcomes. These objectives have been revised slightly to reflect the use of ‘collaborative outcomes’ as opposed to ‘collaborative performance’:

- To integrate previous studies and adopt a holistic research approach that transcends discipline, industry, relationship type, time or any other such features. In doing so, to design a study that captures the interrelationships of the key elements/factors influencing collaboration.
- To adopt a research design that progresses theory so that it is grounded in an understanding of managerial practice.
- To identify key themes that will contribute to an improved understanding of the dynamics and ‘outcomes’ of collaborative relationships. This will include an in-depth understanding of the factors that contribute to the ‘outcomes’ of a collaborative relationship and provide insight into areas of misunderstanding.

Empirical work which focuses on collaborative outcomes still appears incomplete, and the literature review in Chapter 2 specifically highlights a lack of progress in explaining collaborative outcomes within extant theory. Furthermore, theory that has been developed for other purposes does not appear to do a comprehensive job of explaining the factors that contribute to collaborative outcomes. With these issues in mind, the key focus of this research was to progress the development of theory specifically for interpreting collaborative relationships. A design map (Figure 3.1) provides an overview of the process involved in this study. Details of the design are outlined next.

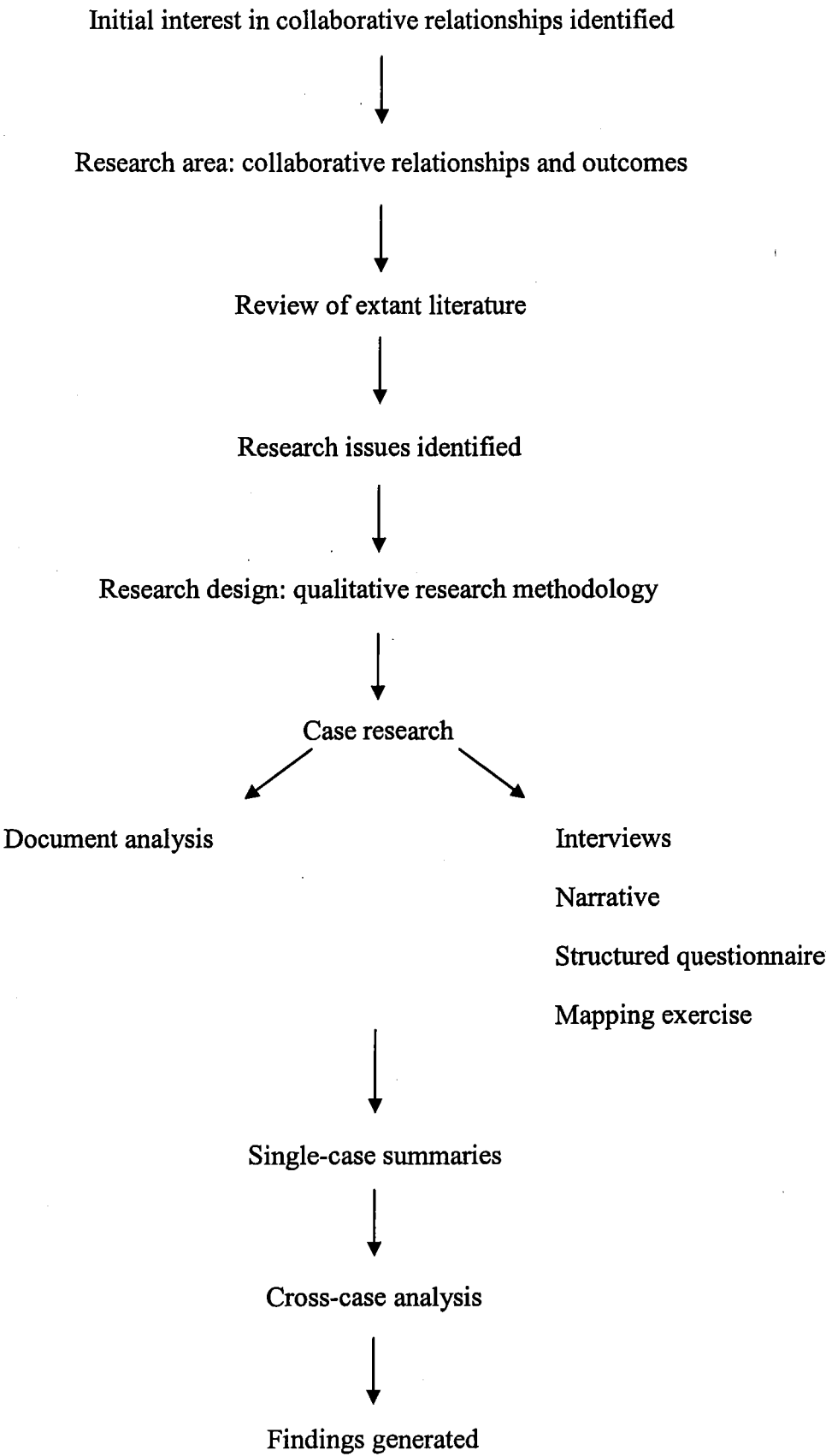
### **3.3 Research Design**

Decisions on research design reflect the intention to capture a picture of collaborative outcomes from the view of participating managers. Key elements from previous research design, highlighted in Chapters 1 and 2, have also played a large role in the research design process. The following sections examine both the research approach adopted within the study and the design dimensions incorporated in the methodology.

#### **3.3.1 Research Approach**

There has been some debate on the appropriateness of the methodologies that have been used to examine collaborative outcomes. The literature review clearly demonstrates the emphasis that has been placed on studying collaborations by way of survey methodologies. Previous research on collaborative relationships has been typified by large-scale quantitative studies. In addition, the theoretical perspectives that have been adopted have encouraged an understanding of collaborations in certain areas, but have not provided a complete view of collaborative outcomes. Very few studies appear to depart from this model; however, a key concern associated with techniques such as these is the extent to which they are able to capture the complex interrelationships and dynamics of collaboration.

**Figure 3.1: Research Design Map**



As Hamel (1991) has noted, many traditional methods force researchers to adopt a simplified view of the phenomena under consideration. In his view this has had an impact on research of collaborative outcomes with the:

- substitution of crude proxies for determinants and outcomes that have proven difficult to measure
- minimisation of some of the multidimensionality in causal relations
- narrowing of the scope of the research.

Whilst quantitative techniques have contributed a great deal of knowledge to the field, further studies that use similar but diverging methodologies, or different variables or antecedents may not enhance our understanding substantially. Overall, it appears that applying an alternative methodological approach could benefit the research area. According to Miles & Huberman (1994), well-collected qualitative data allow the researcher to:

- focus on naturally occurring events in a natural setting
- ensure that the case is locally grounded (that is, embedded in its context)
- collect data that are rich, holistic and reveal a certain level of complexity.

Further support for a qualitative approach can be argued on the basis that the main purpose of this research is not to “falsify” theory through empirical testing, nor necessarily to develop a definitive theory of collaborative outcomes. Rather, at this stage, the aim is to increase our understanding of the dynamics and outcomes of collaborative relationships through an in-depth examination of related elements and outcomes. It will result in the development of ‘theoretical insights’ as opposed to ‘a theory’ relating to collaborative outcomes. This is essential if findings are to be meaningful and practical.

In particular, a methodology is needed that will be open to the unexpected and to new findings and will allow the exploration of detailed nuances (Marshall & Rossman, 1999). Such a methodology in part answers the call for researchers to “break out of current conceptual boxes” and create new logic in the examination of variables (Parkhe, 1993a). The need for complex qualitative information and the exploratory nature of the research makes case study research a possible method (Yin, 1994). The use of case research within this study is discussed next.

### *Case Study Methodology*

Case study research is an appropriate methodology as it permits an effective integration of the research method with the study of actual “real life” collaborations, and thus allows a deeper understanding of key variables and relationships (Parkhe, 1993a). The qualitative nature of case research provides an opportunity to understand collaborative outcomes in a way that has so far been under-examined.

According to Gummesson (2001), case study research recognises a multitude of variables and complex interrelationships, and allows for a holistic account of the network of relationships between a number of factors. In this regard, the method moves beyond detailing single cause-and-effect links. In particular, using case research in this study allows the development of theory that is based on a rich understanding of collaborative elements and outcomes that is relevant to managerial practice. With regard to our current understanding of collaboration, a case study approach allows empirical research that “investigates a contemporary phenomenon within its real-life context when the boundaries of the phenomena are not clearly evident” (Yin, 1994).

Eisenhardt (1989) also advocates the use of case research as a strategy that focuses on understanding the dynamics present within the case setting, and highlights it as suitable for new research areas or where existing research has not been sufficient in providing key answers. This view is supported by Bonoma (1985), who suggests that case research is ideal when the goal of the researcher is theory building. It is also suggested as an appropriate methodology where the researcher wishes to understand contemporary events but has little control over the environment (Bonoma, 1985; Yin, 1994).

This study deals with an area where previous research has not provided a holistic view of collaborative outcomes. Case research may allow a deeper exploration of elements associated with collaborative outcome. The above facets of case research allow the development of theoretical insights that are grounded in reality and relevant to managerial practice.

### *Role of Prior Theory*

Deductivism and inductivism are recognised by the researcher as two key approaches to building theory. Many argue that it is unlikely that the two can be separated totally, and

neither is this separation always useful (Lindgren, 2001; Parkhe, 1993a; Perry, 1998). In reality, these approaches are often combined. In this sense, some aspects of the research might be determined deductively whilst others enable an inductive analysis.

This study has involved a combination of deductive and inductive approaches. The extant literature on collaboration is vast. Total exclusion of the insights that prior research can provide does not appear necessary or warranted. According to Eisenhardt (1989), specifying potentially relevant elements with reference to the literature can be helpful. However, to maintain openness in the collection and analysis of the data the researcher should avoid presupposing specific relationships between these elements. Parkhe (1993a) argues that such an approach would enable the development of new 'logic' in linking elements, an important aspect of increasing our understanding of collaborative outcomes.

The qualitative nature of the methodology in this research allows for an inductive analysis. Patton (2003) argues that the precise nature of an inductive analysis depends also on the purpose of the analysis. The cross-case analysis and search for patterns in this study only began once an in-depth understanding of each individual case was achieved. Thus the key themes emerged through this process. The cases in this study are primarily used for inductive theory-building. In comparison, a deductive analysis would have used the cases to *confront* existing theory or a predetermined hypothesis with "reality".

### 3.3.2 Selection Criteria and Sampling Procedure

Given the exploratory nature of this research, specific hypotheses have not been considered appropriate. Overall, a holistic perspective has been adopted in this examination of collaborative outcomes in order to retain all potentially meaningful characteristics of collaborative relationships. A key consideration in the design of this study is to ensure that the evolution of potentially relevant elements relating to collaboration is accommodated, while other specific research design characteristics of previous studies are avoided. Consequently, as suggested by Eisenhardt (1989), the cases for this research have been chosen for theoretical rather than statistical reasons in order to help progress theory development. According to Patton (2002), purposeful

sampling allows the researcher to examine the issues that are integral to the research by selecting information-rich cases.

Eisenhardt's (1989) strategy for site selection along with the following key questions have helped identify the cases for this research:

- What is the purpose of sampling in my research?
- What “work” do I expect my sample to do for me?
- What is the nature of my interest in the “population”? (Mason, 1996)

In order to conduct a holistic examination of alliances, the sample of cases for this research have needed to capture the key dimensions regarding collaboration highlighted in the literature, and conform to the above questions. Thus, the key dimensions identified in Chapter 2 have formed a crucial aspect of the theoretical sampling procedures for this study. In a process favoured by many qualitative researchers, strategic theoretical comparisons have essentially been built into the research procedure and analysis (Mason, 1996). The dimensions applied in the selection of cases for this study are therefore:

- *Performance*— above or below expectations?
- *Logic*— cumulative or complementary?
- *Geographic scope*— domestic or international?
- *Technology*— high or low use?

In order to provide a complete picture of types of alliances, these dimensions have been combined. A total of 16 combinations of these dimensions can be identified. These combinations are represented in Table 3.1.

### *Site Generation*

The University of Canterbury's database of collaborative business relationships has served as the sampling frame for identifying cases. This comprehensive database, which was compiled in 1997, contains details on a number of domestic and international collaborations involving NZ firms.



**Table 3.1: Case Cell Matrix**

**International—High Technology**

	Above-average performance	Below-average performance
Cumulative logic		
Complementary logic		

**International—Low Technology**

	Above-average performance	Below-average performance
Cumulative logic		
Complementary logic		

**Domestic—High Technology**

	Above-average performance	Below-average performance
Cumulative logic		
Complementary logic		

**Domestic—Low Technology**

	Above-average performance	Below-average performance
Cumulative logic		
Complementary logic		

A decision to create a database was based on the knowledge that few lists of collaborative relationships exist in New Zealand and those that do are likely to be narrow in scope. A questionnaire was developed based on a thorough review of the literature. This was mailed to 7000 NZ firms, identified in a commercial list as employers of 10 or more people. Firms that participated in collaborative activity were asked to provide specific details. Reports were received on 781 relationships. Almost one-third (32%) of these were informal agreements, 41% were contractual collaborations, and the remainder (27%) were joint ventures.

In the questionnaire used to create the database, respondents were asked to comment on **one** relationship that their firm was currently involved in. Thus, **one** respondent from only **one** of the firms involved in the relationship filled in this questionnaire. This firm is referred to as the “focal firm”.

Key information captured in this database included descriptive background information, details of the collaborative activities (eg, distribution, joint marketing) and type, partner-related information and an overall assessment of the performance of the collaboration. Through this process the collaborative relationships were categorised as exhibiting high or low technology use, cumulative or complementary logic, international or domestic partners and above- or below -average performance. Performance was assessed on the extent to which respondents perceived that the collaboration had “exceeded expectations”, “met expectations”, or “had not lived up to expectations”. Therefore, the respondents were essentially required to classify the relationship as either above- or below-average performance. The terms ‘above-average performance’ or ‘below-average performance’ are used throughout this thesis in reference to the self-reported classification made by **one** respondent from **one** firm only. This sampling frame classification is **not** intended as a definitive or statistical measure. Retaining this association through the discussion of cases in Chapter 4 allows the reader to gain further insight into how ‘performance’ as viewed by one partner may not concur with the assessments provided by other partners or the final collaborative outcome. The same would apply for the other three categories relating to logic, scope and technology.

The information collected for these case studies has significantly expanded on the information available in the database, since this information was collected from multiple informants in all of the firms participating in the relationship during a series of in-depth interviews. This process has produced valuable information that enables comparisons between the initial crude performance assessment made by the focal firm and the detailed objectives outlined by other interviewees. A sample questionnaire used to collect information for the database can be seen in Appendix A.

The 16 combinations of the four selection dimensions outlined earlier were then used to identify cases for study. These four dimensions were run in an Access query to identify samples in each cell, ensuring the variance desired for theoretical sampling. Of the 16 possible combinations, only one did not result in a sample of firm(s) from the database,

as no matches were found. This was the combination: above expected level of performance; international partner; low technology use; complementary logic. A final decision on the case to be examined in each combination has been based primarily on location. In this respect, Auckland has been selected as the first choice in location for the focal firm (that is, those firms who had completed the questionnaire used to create the sampling frame). This was decided on the basis of convenience.

### *Unit of Analysis*

For data collection purposes, NZ-based firms involved in either domestic or international relationships are examined. The relationship was the main unit of analysis within this study.

### *Longitudinality*

The collaborative process is continually evolving and changing. Given the dynamics of relationships, a longitudinal approach would appear to be appropriate for capturing the formation of a collaboration, right through to its eventual success or dissolution. Despite this apparent need for a longitudinal approach, few studies have managed to achieve this dimension of alliance examination. In part, the problems and complexity associated with such an approach have been prohibitive. Nonetheless, methods used in other contexts may be relevant in this examination. Melin (1992) outlines the process through which a biographical history may be used to capture the evolution of a firm within the context of internationalisation. This method consists of a thorough examination of all the events, episodes and epochs that have contributed to a firm's evolution. Whilst a true longitudinal approach has not been feasible within the context of this study, the application of Melin's biographical history appears suitable to study the relationship from its formation through to its present status. This enables the researcher to capture all key details relevant to the history and consequent outcomes of the alliance. Thus, it has been possible to undertake a historical examination of relationships. The application of this method is discussed in greater detail under 3.4.1.

### 3.4 Data Collection Procedures

Yin's (1994) guidelines for case data collection have been closely followed in this research. Specifically, multiple sources of evidence are used, a case study database has been created and a chain of evidence maintained. Each of these is discussed below.

#### *Multiple Sources of Evidence*

An important aspect of case research is the use of multiple sources of evidence to converge on the same findings. Multiple sources help reduce the problems associated with respondent bias or poor recall/articulation through the personal interview process. The multiple source approach also allows for consideration of a broader range of issues and within-method triangulation (Bonoma, 1985; Yin, 1994). These procedures, in turn, strengthen the grounding of the theory, produce more accurate results and enhance construct validity (Eisenhardt, 1989).

Yin (1994) outlines six key sources of evidence: documents, archival records, interviews, direct observation, participant observation, and physical artefacts. For the purpose of this research three major sources of evidence are used:

- interviews
- documents
- archival records.

These are discussed below.

#### 1. Interviews

In-depth interviews are conducted with key participants in the firms' collaborative relationship. This process involves data collection from tapes, the recording of responses to a structured questionnaire and the creation of a cognitive map for each respondent.

#### 2. Documents

Any appropriate administrative documents are collected at the interview or through subsequent communication with the interviewees. These include partnership agreements, letters and memos between partners, demonstration videos, newspaper and/or magazine articles, and in-house publications. A document summary form records these items. This can be seen in Appendix B.

### 3. Archival records

Records, such as product literature, employee details and company charts or budgets, are also collected.

In addition, all available secondary information is reviewed prior to commencing data collection through the interview process. Extensive on-line research is used to collect any pertinent company or industry-related information.

#### *Case Study Database*

The reliability of the data is enhanced through the maintenance of a database. This database includes:

- original tapes from each interview
- tape transcriptions for each interviewee
- completed questionnaires for each interview
- case write-ups and summaries
- cognitive maps for each interviewee.

Excel spreadsheets are used to summarise the information for each case in preparation for analysis. This process is discussed in greater detail under section 3.6.

#### *Chain of Evidence*

A chain of evidence is also created to allow for external inspection of the research. This allows an outsider to view the process from the formulation of research issues through to data collection, analysis procedures and the final conclusions. Case study protocol has been developed in accordance with Yin (1994). This includes an overview of the project, field procedures, case study questions and a guide for the report.

#### 3.4.2 Interview Process

In the first instance, the focal firm (that is, the firm that had originally completed the questionnaire used to formulate the database) is contacted and asked to participate in the study. To proceed further, the consent of all participants is then obtained. When either a focal firm or their partner(s) declines to participate, the next relationship in the combination is selected for study.

Completion of the case studies requires the consent of the key personnel involved in, or responsible for, the collaboration. The researcher has conducted interviews with chief executive officers, managing directors and other key individuals within the partner firms of each alliance. Essentially, an attempt has been made to meet with all key personnel believed to be most knowledgeable about the collaboration. In certain cases this has necessitated contacting individuals who are no longer with the organisation but who had played a crucial role at some earlier stage. The use of multiple informants from participating firms is imperative in capturing the differing perspectives of managers and in overcoming limiting research characteristics associated with previous studies.

Once participation is secured, each interviewee is sent a letter of consent and details of the study (see Appendix C). These documents are important in maintaining case protocol.

Each interview process consists of three main parts. These interviews range from 1½ hours to 2½ hours long. Some site visits, however, last over half a day. This is particularly the case with certain overseas interviews. The interview process is outlined below.

*Part one: Unstructured narrative*

Participants are asked to provide a narrative of their understanding of the background to the relationship. This unstructured phase is designed to elicit general information and is purely inductive. An emphasis is placed on capturing the respondent's perceptions of the relationship. This section forms a major part in developing a biographical history of the collaboration and thus getting a sense of context and influences. Any interesting points are elaborated on by the interviewer probing the respondent. This also allows an assessment of the respondent's involvement with, and knowledge of, the relationship. An emphasis is placed on the fact that the personal opinions of the respondent—not those of the firm—were to be assessed. All this information is audiotaped and then transcribed for analysis. This stage lasts between 1 and 2 hours.

*Part two: Semi-structured questionnaire*

A series of semi-structured questions is then asked. These questions are carefully constructed to enable comparisons across the various collaborations and to collect

information relating to the intentions of the relationship. Specifically, the structured section concerns:

- the specific inputs provided by each partner, including such things as research and development, marketing or distribution channels
- the scope of the relationship in terms of activities, product-markets and geographic markets
- the experience level of each partner with respect to each input and geographic market
- any specific outcome measures used to evaluate the relationship and the achievement of objectives.

The questions are designed to aid the process of understanding the elements to collaborative outcome. The information contributes to an examination of such factors as partner selection and opportunity, strategic logic and outcomes. These questions also allow for an assessment of the extent to which **all** firms have rated these facets, and how informants have rated their own firm and their partner(s). It is then possible to compare these responses to those in the initial sampling frame questionnaire that had captured the response of only **one** individual from **one** partner in the collaboration.

The questions are as follows:

1. What activities is this relationship involved in?

How important is each of these activities to the relationship?

What is the relative contribution of each firm to each activity?

What is the level of experience your firm has with each activity?

What is the level of experience your partner has with each activity?

2. On what basis do you segment the market?

How important are each of these segments to the relationship?

What is the relative contribution of each firm in each segment?

What is the level of experience your firm has in each segment?

What is the level of experience your partner has in each segment?

3. What product categories does the relationship cover?

How important are each of these product categories to the relationship?

What is the relative contribution of each firm in each product category?

What is the level of experience your firm has in each product category?

What is the level of experience your partner has in product category?

4. What specific criteria do you use to assess the outcomes of this relationship?

In assessing each outcome, how important do you think it is to the relationship?

To what extent has each of the identified outcomes been achieved?

The fourth group of questions, then, provides information on the objectives of the collaboration, their importance, and the extent to which these are achieved. Informants are asked to rate all importance- and experience-related questions on a scale. The contribution questions require each informant to divide 100% between each of the partners to reflect the partners' contribution to activities, in segments and for each identified product category.

A further concern in this stage is to assess the respondents' understanding of the questions asked and the type of response sought. This information is crucial, as any further studies may involve a large-scale mail survey to capture similar information. These questions have therefore been modified through the course of the case studies to improve clarity. An example of the questionnaire can be seen in Appendix D. This session took between 20 and 30 minutes.

*Part three: Cognitive mapping exercise*

In the final phase of the interview, cognitive mapping techniques (Huff, 1990) are used to develop a visual representation of elements/factors that have influenced the collaborative outcomes relevant to the relationship under study.

Cognitive mapping is a two-dimensional technique that is used to summarise information and obtain a visual representation of the interviewees' thoughts. It is a research tool that is increasingly being used by management researchers, and studies which use mapping in a managerial context are becoming more visible. According to



Fiol & Huff (1992), as a research tool mapping provides a good trigger for the memory of the interviewee, and helps reveal gaps in information.

Huff (1990) outlines five types of maps. These are maps that:

- assess attention, association and the importance of concepts
- show dimensions of categories and cognitive taxonomies
- show influence, causality and system dynamics
- show the structure of argument and conclusion
- specify schemas, frames and perceptual codes.

This study utilises a form of mapping that shows influence, causality and system dynamics, and is designed to demonstrate causal relationships between concepts. Selection is based on its suitability to the research purpose—that is, developing an understanding of the factors influencing the outcomes of collaborative relationships. Specifically, the mapping form allows the assessment of the extent to which the factors listed in the mapping process account for outcomes of the collaborative relationship.

The mapping process has been carefully developed, tested and refined to ensure that it elicits managers' perceptions concerning what important outcomes are, what factors influence these outcomes and how all of these are related, defined and measured. It is intended to highlight elements/factors and/or relationships that have not been discussed in the literature and to facilitate the possible development of valid measures of factors for use in any future quantitative research on collaborative outcomes.

The cognitive maps also form a key part of both the single and cross-case analysis. The specific mapping process that was used is described next.

The cognitive mapping section begins by reiterating the key outcomes *highlighted by the informant* in the structured section of the interview.

First, the purpose of the section is explained to the respondent. Each respondent is told that the key aim is to discover what elements/factors have influenced the achievement or otherwise of the outcomes outlined. As the respondent lists the items, they are each recorded on a separate post-it note, using the respondent's own terminology. Once the respondent has finished this process, the researcher probes for any extra factors. This

process is continued until it is clear that all of the important factors that have influenced the achievement of the objectives within the relationship have been identified.

Secondly, each of the factors recorded on the post-it notes is explored individually. The respondent is asked questions to identify different facets of the factors and any means of measurement that are utilised. The main aim of probing for extra information is to increase our understanding of managerial definition and interpretation of factors, measurement and evaluation. For example, if good distribution channels have been suggested as an important factor, probing may result in the listing of measures such as timeliness, efficiency and so on. If more than one dimension has been outlined for each factor, the respondent is then questioned further to ascertain whether the dimensions are indeed to be considered in combination or separately (in which case a separate post-it note is utilised).

Any extra information included on the post-it note as a result of probing is coded if appropriate. Explanations for factors are coded with a bullet point (•). Any measurement of factors are coded (M), and those factors outlined as important/less important are coded with either a (\*) or (#), respectively.

Once this process is complete, the post-it notes are laid out on a large piece of white A2 paper. The respondent is asked to examine each of the post-it notes to ensure that they accurately capture what is being said. Any necessary corrections are made at this stage. Also, any recognised similarities or differences are explored. If any factors are found to be repetitive, they are discarded.

At this point the respondent is asked to categorise the post-it notes based on any perceived similarities. This process results in a series of post-it note piles. The respondent is asked to provide a title for each pile. Concurrently, the respondent is asked to begin placing the notes or categories of notes according to how they have influenced each other and thereby the outcomes of the relationship. The next step involves asking the respondent to place arrows on the map between factors in order to demonstrate, visually, their influence on each other, and on the relationship outcomes. Respondents are asked to attach a +/- on each arrow to indicate correlation between the factors related by arrows.

The next step involves probing with prompts designed to ascertain the importance of any factors highlighted in the literature as being crucial in relationships that have not been mentioned by the respondent. Any factors added at this stage are noted on a different coloured post-it to signal that it is a prompted factor.

Finally, the respondent is asked to view the map and assess its representation of their own view of the elements influencing the outcomes of the relationship.

This session takes approximately 30 minutes.

### **3.5 Validity and Reliability**

The issues of validity and reliability form an important part of the research design. It is recognised, however, that traditional indicators of validity and reliability may not be appropriate in a qualitative research setting. To ensure the relevant consideration of these factors, key sources are consulted in both the case research and qualitative research literature (Bonoma, 1985; Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 1994).

To ensure internal validity, a variety of analytical tools are used. These include the search for specific observations, pattern-matching between cases, and explanation-building through case description and summaries. To ensure strong internal validity, emerging concepts are tied with the existing literature. Conflicting findings are also explored in order to promote validity. Analysis of the maps and of the structured questionnaires is important in this process.

External validity is ensured through the selection of multiple cases for study. These cases provide for theoretical replication—that is, they produce contrasting results, but for predictable reasons (Yin, 1994). An important consequence of the replication procedure is the development of rich theoretical propositions which relate to collaborative outcomes and reflect managerial practice.

Using multiple sources of evidence and maintaining a chain of evidence as outlined previously ensures construct validity.

Reliability is maintained through the development of a case protocol, and a case database and by tape transcription. These processes, described earlier, allow for external examination of the research.

### 3.6 Analytical Procedures

The analytical procedures within this study have been strongly guided by the work of Eisenhardt (1989) and Yin (1994). Miles & Huberman (1994) and Patton (2002) have also been consulted. Essentially, the analysis involves a single-case write-up followed by a cross-case analysis. These processes, and the preparation for analysis, are outlined next.

#### 3.6.1 Preparation for Analysis

In the first instance, all interviews are transcribed. Each interviewee is allocated a label that reflects the case, respondent number, and firm number within the relationship and interview number. This label is then applied to all information relating to that particular interviewee. Hence each transcript is identified as follows:

C1 ~~F1~~ R1 INT1

This indicates that the transcript relates to case one, firm one within the relationship (that is, the focal firm), respondent one, and it is the first interview. The transcript, questionnaire and map are all coded identically. The second respondent in this case will be labelled as follows:

C1 F1 ~~R1~~ INT1

In this case, two partners are involved. The partner is identified as follows:

C1 ~~F1~~ R1 INT1

The transcripts are then analysed to highlight emergent themes and important information. According to Miles & Huberman (1994), a flexible coding system that starts with a set of carefully developed codes provides a stronger framework for the development of theory. This view is incorporated into the coding principles used to guide this study. A coding start list has been developed from the problem area and key elements of collaborative outcomes previously identified in the literature.

The codes have been revised and the list changed as new themes/issues emerge in the interviews. This process continues until such time as no new codes emerge. An example of the coding list used in the analysis can be seen in Appendix E.

Coding is conducted by two individuals and repeated until agreement on the assigned codes has been reached. This increases the level of reliability of the coding process. The coding is conducted manually, and then transferred to a computerised version. These can be examined in Appendix F. The manual sheet shows how the process is revised and reviewed continually by the coders.

Codes provide a guide for key themes and form a crucial part of both the single-case summaries and the cross-case analysis. The coded transcripts, questionnaires and maps are all analysed for any evidence relevant to identified factors. Key observations are entered into an Excel spreadsheet that records the comment, individual, organisation and all other relevant details. Evidence of the factors is collected and recorded through this process, thus increasing internal validity.

The maps are also reviewed at this stage. This identifies key facets perceived to be important for collaborations. Observations regarding the maps are then included in the single-case summaries. An example of a cognitive map can be seen in Appendix G.

A key concern at this stage is to incorporate the elements/factors that have been identified in the literature as associated with collaborative outcomes (outlined in section 2.2.3). Whilst these elements form a valuable part of the methodology, they are used primarily for the preparation of information for analysis. Categories are used to organise the data for analysis. According to Eisenhardt (1989), the specification of such aspects need not imply any relationships between the factors, nor do they imply any attempt to isolate dependent or independent variables. As indicated by Mason (1996), these factors are merely used as convenient information retrievals to facilitate cross-case analysis.

The details of both the single-case and cross-case analysis procedures are described next.

### 3.6.2 Single-Case Summary

According to both Yin (1994) and Eisenhardt (1989), the development of a concise case description enhances the researcher's familiarity with the case data, and aids

preliminary theory development. Descriptions that are accurate, detailed and objective allow the theory to emerge naturally before links are made to extant literature. For these reasons, a single-case summary that includes pertinent information from all sources of data forms the first stage of analysis. Individual case descriptions are generated from a comprehensive analysis of transcripts, structured questionnaires and cognitive maps.

To aid subsequent comparisons of findings to the literature and to facilitate the cross-case analysis, the case accounts are arranged around the topics highlighted earlier as elements of collaboration. Further topic headings are included to incorporate outcome-related measures, managerial perceptions (including comments and map-related observations) and an examination of case selection dimensions. Hence, the following major headings were used consistently to write up each case:

- Outcomes
- Strategic logic
- Technology
- Geographic scope
- Context
- Form and formation
- Partner selection and opportunity
- Relationship dynamics
- Managerial perceptions.

These categories were primarily used to organise and facilitate the case write-ups. The information contained within the Excel spreadsheets provide a strong starting point for these summaries. This information is first sorted according to major categories and then used to detail each section. The responses of each interviewee are incorporated through this process. Quotes are used to highlight and strengthen key points.

The maps, structured interviews for each case, and any related secondary information are also included, as necessary, to support each individual case. It follows that each case represents a compilation from **all** information sources and **all** interviewees in the relationship. Details of each case and the single-case write-ups are included in Chapter 4.

### 3.6.3 Cross-Case Analysis

Cross-case analysis enhances our ability to understand, explain and thereby draw out valid generalisations (Miles & Huberman, 1994). It allows for greater explanations of circumstances where certain observations are or are not likely to be present. Miles and Huberman also argue that it enables the researcher to form more general categories of how various conditions might actually be related. Overall, the broad approach adopted in this study combines a comparison of groups of cases incorporating key selection dimensions of the study. Each individual case is understood in its entirety, and then compared to other cases.

The themes outlined in Chapters 5 and 6 emerged through an in-depth engagement with the data. Eisenhardt (1989) advocates such within-case analysis followed by a cross-case pattern search or explanation building. Eisenhardt (1989) suggests that this process is facilitated by the selection of pertinent categories, followed by a search for within-group similarity and intergroup differences. These categories can be those suggested by the literature or can simply be chosen by the researcher. Given the amount of previous research that has been conducted on collaboration, it is deemed appropriate to use the selection dimensions apparent in the literature to facilitate comparison across cases. Unlike a deductive analysis, the researcher **did not** pre-determine which of the dimensions and factors used to categorise the data were important or how they were related. These categories were primarily used to **facilitate** the analysis. Within such a strategy, Eisenhardt (1989) also stresses the importance of examining the data in divergent ways. The specific process through which the cross-case analysis is conducted is described next.

The cases are initially compared solely on the combination of above- vs below-average performance as categorised in the questionnaire completed for the original sampling frame. This division involves comparing the above-average relationships against the below-average relationships. As an understanding of collaborative outcomes is the focus of this work, this major initial division is also one of the most important. The cases are compared along each of the key headings used in the write-up. This process is then repeated for domestic vs international relationships, those that exhibited cumulative vs complementary logic and either a high or low technology use. Key themes that emerge through this process are noted.

Each consecutive stage of analysis incorporates a further dimension. So, the next comparison is made between the above-average international vs domestic relationships. This process continues until the last level of analysis involves a pairwise comparison between matching cases that reflects the cells contained in Table 3.1 (see section 3.3.2). In effect, the level of abstraction is continually decreased with each iteration as the analysis evolves. At each stage the cases are compared along the key factors highlighted in the single-case summary. Any new themes and/or associations between elements/factors which influence collaborative outcomes emerge through this process. Brown & Eisenhardt (1997) adopt a similar approach where cross-case analysis is progressed with an increasing level of abstraction with each iteration.

The cross-case analysis incorporates a detailed examination of responses to the structured questionnaires and cognitive maps. These are used to highlight comments made by individuals or to provide further justification for themes.

The major themes discovered through the cross-case analysis are then compared with both similar and conflicting literature in an attempt to build theoretical consistency. Eisenhardt (1989) refers to this stage as “enfolding literature”. This process helps to build internal validity and shape the theoretical contribution of the findings. An overriding concern in the cross-case analysis is to avoid the tendency to fall back on a quantitative mode of analysis which will result in the specification of linkages of isolated variables. According to Patton (2002) this is a recognised danger in qualitative analysis. However, Patton (2002) also argues:

“When careful study of the data gives rise to causal linkages there is no reason to deny those interested in the study’s results the benefit of those insights” p479

Thus, the cross-case analysis in this study fulfils the important role of furthering understanding, but also provides useful insights into some interrelationships between key facets of collaboration. In short, the analysis allows some understanding of *how* many of the elements/factors are related, and the manner by which they aid collaborative outcomes. This combination of the individual and the shared, of wider environment and of the dynamics within relationships provides a view which is holistic and responsive, yet which is grounded and practical.

The cross-case results are discussed in Chapter 5.



### 3.7 Chapter Summary

This chapter has discussed details relating to the research method. Issues concerning data collection and analytical procedures have been outlined. A conscious effort has been made to ensure that a sound research design has been adopted for this examination of collaborative outcomes. In summary, the salient features of this design are as follows:

- A rich qualitative method is adopted
- No predominant theoretical perspective is employed
- Strong guidance is gained from prior research
- Theoretical sampling is employed
- A variety of collaborative forms are considered
- Relationships are from a number of industries
- A comprehensive list of collaborative elements is considered
- More than one partner is interviewed
- Multiple informants within each firm are sought
- A biographical history of the relationship is used to capture longitudinal changes
- Detailed single- and cross-case analysis is undertaken
- Managerial perceptions are given priority.

The single-case summaries are outlined in Chapter 4.

## Chapter Four: Single–Case Summaries

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## Chapter Four : Single-Case Summaries

### 4.1 Overview

The analytical procedures undertaken in this study involve two stages, as outlined in Chapter 3. This section concentrates on the first stage, the single-case summaries. The case studies represent the core of the empirical work, and as such they form the basis of both the single-case and cross-case analysis. They are the first important building block in the progression of theory. References to the cases can be observed throughout the following chapters.

The remainder of this chapter examines key information relating to the cases, reiterating pertinent aspects of case selection. The single-case write-ups are also provided.

### 4.2 Introduction to the Cases

Theoretical sampling resulted in the isolation of four selection criteria—performance, technology, strategic logic, geographic scope—which, in turn, resulted in 16 possible combinations. The University of Canterbury database revealed cases corresponding to 15 of the 16 combinations. Only one combination resulted in no database match. Furthermore, no company involved in an alliance which met the following criteria would agree to participate: international – low technology – cumulative logic – below-average performance. A total of 14 cases were finally studied. These selections can be seen in Table 4.1.

Each of the cases involves a NZ focal firm collaborating with an identified local or international partner. In all cases, it is the focal firm with whom contact was first established. This initial contact, captured in the University of Canterbury database, provided key responses to a brief questionnaire. The questionnaire was completed by the managing director, chief executive officer or other senior employee who held responsibilities associated to the alliance being considered. In this respect the database captured responses from a **single** respondent in **one** firm within the relationship.

**Table 4.1: Case Selection Table****INTERNATIONAL—HIGH TECHNOLOGY**

	Above-average performance	Below-average performance
Cumulative logic	Computer Distribution: 2 partners	Chemical Mining: 2 partners
Complementary logic	Conveyer Belts: 2 partners	Highway Barriers: 2 partners

**INTERNATIONAL—LOW TECHNOLOGY**

	Above-average performance	Below-average performance
Cumulative logic	Container Shipping: 7–11 partners	3 firms could be identified in this category: 1 refused; 1 was not suitable and 1 could not participate for personal reasons
Complementary logic	No firms were identified in this category	Training Videos: 2 partners

**DOMESTIC—HIGH TECHNOLOGY**

	Above-average performance	Below-average performance
Cumulative logic	EFTPOS Processing: 5 partners	Vibratory Technology: 2 partners
Complementary logic	Auto Finance: 2 partners	Insurance Brokers: 9–10 partners

**DOMESTIC—LOW TECHNOLOGY**

	Above-average performance	Below-average performance
Cumulative logic	Property Developers: 2 partners	Shopfitters: 2 partners
Complementary logic	Logistics: 2 partners	Print Brokers: 2 partners

Each respondent was asked to detail aspects of one particular alliance in which the firm was involved. Within this questionnaire, information was collected regarding the location of their partner(s), the key collaborative activities, the length and nature of the alliance, industry details and the amount of business generated. Basic firm-related characteristics were also captured at this time. This included such things as details of company size and the number of employees. The interviewees were also asked to provide information on the level of technology involved in the alliance, the nature of strategic logic (cumulative or complementary) and the extent to which they felt that the relationship had performed above or below the expectations of the partner firms. Each relationship was then loaded into the University of Canterbury database on the basis of these responses and assessments.

This questionnaire was later used to provide the first point of contact for each relationship. The person who had completed the questionnaire was contacted in order to secure permission to cooperate in this study. The names of contacts in the partner firm were established at this time. These individuals were also contacted to ensure that the cooperation of all parties could be guaranteed prior to commencement of data collection. In most cases, respondents agreed to participate during the first conversation. This contact was also used to establish each firm's suitability to participate. Details completed in the questionnaire were re-checked. This procedure resulted in the exclusion of four firms. In these cases the second firm corresponding to the particular set of selection criteria was contacted. The process was repeated until participation from one firm was secured in each category. A similar method was followed when firms refused to participate. In this case the next identifiable firm in the category was contacted.

The focal firm in each relationship was interviewed first. Contact was then established with the partner firm. Details regarding the interviewees are contained in Table 4.2.

**Table 4.2: Case Interviewee Details**

Case	Interview/Information/Coding	T*	Q*	M*
Computer Distribution	Focal Firm: C1 F1 R1 INT1	Yes	Yes	Yes
	C1 F1 R2 INT1	Yes	No	Yes
	C1 F1 R3 INT1	Yes	Yes	Yes
	Partner Firm: C1 F2 R1 INT1	Yes	Yes	Yes
	C1 F2 R2 INT1	Yes	Yes	Yes
Chemical Mining	Focal Firm: C2 F1 R1 INT1	Yes	No	Yes
	C2 F1 R2 INT1	Yes	No	Yes
	Partner Firm: C2 F2 R1 INT1	Yes	Yes	Yes
Conveyor Belts	Focal Firm: C3 F1 R1 INT1	Yes	Yes	Yes
	Partner Firm: C3 F2 R1 INT1	Yes	Yes	Yes
	C3 F2 R2 INT1	Yes	No	No
Highway Barriers	Focal Firm: C4 F1 R1 INT1	Yes	Yes	Yes
	Partner Firm: See note below <sup>a</sup>			
Container Shipping	Focal Firm: C5 F1 R1 INT1	Yes	Yes	No
	C5 F1 R2 INT1	Yes	Yes	Yes
	Partner Firm 2 <sup>b</sup> : C5 F2 R1 INT1	Yes	Yes	Yes
	C5 F2 R2 INT1	Yes	Yes	Yes
	Partner Firm 3: C5 F3 R1 INT1	Yes	Yes	Yes
	Partner Firm 4: C5 F4 R1 INT1	Yes	Yes	Yes
	C5 F4 R2 INT1	No	Yes	Yes
	Partner Firm 5: C5 F5 R1 INT1	Yes	Yes	No
	Partner Firm 6: C5 F6 R1 INT1	Yes	Yes	Yes
	Partner Firm 7: C5 F7 R1 INT1	Yes	Yes	Yes
Training Videos	Focal Firm: C6 F1 R1 INT1	Yes	Yes	Yes
	Partner Firm: C6 F2 R1 INT1	Yes	Yes	Yes
	C6 F2 R2 INT1	Yes	Yes	Yes
EFTPOS Processing <sup>c</sup>	Focal Firm: C7 F1 R1 INT1	Yes	Yes	Yes
	C7 F1 R2 INT1	Yes	Yes	Yes
	Partner Firm 2 <sup>d</sup> : C7 F2 R1 INT1	Yes	Yes	Yes
	Partner Firm 3: C7 F3 R1 INT1	Yes	Yes	Yes
	Partner Firm 4: C7 F4 R1 INT1	Yes	Yes	Yes
	C7 F4 R2 INT1	Yes	Yes	Yes
	Partner Firm 5: C7 F5 R1 INT1	Yes	Yes	Yes
	C7 F5 R2 INT1	Yes	Yes	No

cont:

Case	Interview/Information/Coding	T*	Q*	M*
Vibratory Technology	Focal Firm: C8 F1 R1 INT1	Yes	Yes	Yes
	Partner Firm: C8 F2 R1 INT1	Yes	Yes	Yes
Auto Finance	Focal Firm: C9 F1 R1 INT1	Yes	Yes	Yes
	C9 F1 R2 INT1	Yes	Yes	Yes
	Partner Firm: C9 F2 R1 INT1	Yes	Yes	Yes
Insurance Brokers <sup>e</sup>	Focal Firm: C10 F1 R1 INT1	Yes	Yes	Yes
	Partner Firm 2: C10 F2 R1 INT1	Yes	Yes	Yes
	Partner Firm 3: C10 F3 R1 INT1	Yes	Yes	Yes
	Partner Firm 4: C10 F4 R1 INT1	Yes	Yes	Yes
Property Development	Focal Firm: C11 F1 R1 INT1	No	Yes	No
	Partner Firm: C11 F2 R1 INT1	Yes	No	No
Shopfitters	Focal Firm: C12 F1 R1 INT1	Yes	Yes	Yes
	Partner Firm: C12 F2 R1 INT1	Yes	Yes	Yes
Logistics	Focal Firm: C13 F1 R1 INT1	Yes	Yes	Yes
	Partner Firm: C13 F2 R1 INT1	Yes	Yes	Yes
	C13 F2 R2 INT1	Yes	Yes	Yes
Print Brokers	Focal Firm: C14 F1 R1 INT1	Yes	Yes	Yes
	Partner Firm: C14 F2 R1 INT1	Yes	Yes	Yes
Summary	Total number of interviewees: 51	49	46	45

**Notes:**

- \* T – Transcript; Q – Questionnaire completed; M – Cognitive map
- <sup>a</sup> Informal discussions were conducted with two employees in the partner firm. These responses were not recorded.
- <sup>b</sup> Partner 2 represents the secretariat office in this alliance.
- <sup>c</sup> This alliance involved four to five partners throughout the course of the venture.
- <sup>d</sup> Partner 2 represents the joint venture company in this alliance.
- <sup>e</sup> This alliance would have involved nine to ten partners. Only four were interviewed. These firms were seen to be key players in the proposed alliance.

#### 4.2.1 Single-Case Summary

The single-case write-up enabled the researcher to become more familiar with the data. Each case represented and conveyed detailed information regarding the relationship. As outlined in Chapter 3, the case summary involved compiling data from all sources and interviewees. The transcripts were studied and condensed, as were the maps and structured questionnaires. At this stage all responses were analysed. This provided a critical point of comparison between how the various partners viewed the same collaboration. In turn, this provided valuable information regarding how crude or prescriptive measures of performance might be problematic when the actual objectives of the partners are compared. Secondary data sources were also consulted where appropriate.

In order to protect the identity of each relationship and its participants, fictitious names have been created. Each relationship is referred to by a name that, to some extent, represents the core alliance activity. The cases have been compiled using an identical format that is based on the key elements/factors outlined in earlier chapters, namely:

- outcomes
- strategic logic
- technology
- geographic scope
- context
- form and formation process
- partner selection and opportunity
- relationship dynamics
- managerial perceptions.

These headings are used to help categorise the data and to maintain comparability for further analysis. Responses from the structured questionnaires are used to examine comparability of objectives sought and product-market ratings. Whilst cognitive maps were completed in all but six of the interviews, they are primarily used to support key points in the case summary. For this reason, not all cognitive maps are reported. The cognitive maps are analysed further in Chapter 5, particularly in support of Theme 3.

The single-case summaries demonstrate the importance of capturing multiple perceptions. In addition, the richness of the case information shows how the classification and understanding of key factors might vary. Most importantly, the examination of outcomes in the case summaries reveals the extent to which collaborative outcomes varies among partners.



## **CASE 1: COMPUTER DISTRIBUTION**

### CASE 1: COMPUTER DISTRIBUTION

This is an agreement between a well-known multi-national computer manufacturer (Computers International) and a New Zealand distributor of computer equipment (ITCo). The relationship was selected on the basis of its categorisation in the sampling frame database as demonstrating: cumulative logic, a high use of technology, international focus and above average performance. An in-depth understanding of the case provided further insights into the categorisation of this relationship. A discussion of these categories follows.

#### Outcomes

This relationship was categorised as an *above-average performer* in the sampling frame. The case description also reflects a relationship that is clearly successful, as indicated by both hard and soft outcomes. The partner firms share the view that the relationship has performed positively. In addition, the firms in this relationship demonstrate the importance of focusing on the relational aspects of the collaboration while bearing in mind that profit needs to be attained.

The general outcomes sought by the partners are:

- market share
- sales volume
- profitability, and
- strong relationships with Computers International within all levels of the organisation.

Other outcomes include:

- meeting targets while maintaining the Computers International name
- developing the relationship with the end-user
- maintaining a high quality of service, including order processing.

The semi-structured questionnaire responses demonstrate an interesting combination of such outcomes among respondents. These are summarised in Table 4.3.

**Table 4.3: Collaborative Outcomes for Case 1**

<i>Nature of outcome/objectives</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance*</i>	<i>Achievement</i>
<b>Financial criteria</b>				
Focal firm	C1 F1 R1 INT1	Profitability	7	4
Partner firm	C1 F2 R1 INT1	Financial performance	5	6
<b>Sales/Revenue criteria</b>				
Focal firm	C1 F1 R1 INT1	Sales volume	6	6
	C1 F1 R3 INT1	Reaching targets – sales/marketing	7	7
Partner firm	C1 F2 R1 INT1	Sales targets	7	7
	C1 F2 R2 INT1	Revenue objectives	7	7
<b>Market share</b>				
Focal firm	C1 F1 R1 INT1	Market share	6	6
Partner firm	C1 F2 R1 INT1	Market share/segment performance	6	5
<b>Personal relations</b>				
Focal firm	C1 F1 R1 INT1	Personal relationships	7	6
	C1 F1 R3 INT1	Relationships – end-user and customer	6–7	4–5
Partner firm	C1 F2 R2 INT1	Good communication	6	6
<b>Service quality</b>				
Focal firm	C1 F1 R3 INT1	Quality of service	6	5
	C1 F1 R3 INT1	Image – generate feedback and complaints	7	6
Partner firm	C1 F2 R2 INT1	Customer satisfaction	7	6
<b>Distribution efficiency</b>				
Focal firm – N/A	–	–	–	–
Partner firm	C1 F2 R1 INT1	Unit shipments	6	6
	C1 F2 R2 INT1	Effective distribution	7	7

*Notes:*

\*Importance and achievement were rated on a scale of 1–7, where 1 was very unimportant or not achieved, and 7 was very important or completely achieved.

All but 'distribution efficiency' were cited by both partners. The importance of comparable objectives means that the partners are more likely to be "pulling in the same direction" (see section 5.4.2, 'Collaborative Outcomes').

*Market share* was cited an important measurable outcome. ITCo conducts a quarterly survey that measures market share responses. An industry-based survey also measures the performance of the firms against industry standards. A key issue, however, is that industry revenue drops very easily and, although growth may be satisfactory, margins are often not. In assessing market segment performance, Computers International examines ITCo's financial projections for each of the market segments, examines industry figures for growth and forecasts, and then examines ITCo's performance against these. Outcomes such as image are not measured formally but through general feedback from the channel and end-users.

The financial services division uses the financial statements of ITCo Corporation to undertake risk assessment and to examine the profitability and success of the company. In the last financial year, ITCo delivered in excess of 100% in quota performance. Sales volume is considered to be the physical volume in terms of both the transactions and the dollar measurement of units sold. Quarterly targets are also assessed.

### **Strategic Logic**

In the sampling frame, this relationship was rated as exhibiting *cumulative logic* by the focal firm. However, interview data could possibly lead to a re-categorisation of the relationship as displaying *complementary logic*.

The NZ firm is a value-added distributor for their partner's computer equipment products in the local market. Both firms recognise that the overseas partner would not be able to provide the same level of service in the NZ market. The focal firm does not, however, manufacture computers. This distinguishes it from the partner firm's core activity as a large multinational computer manufacturer. A key facet to understanding the strategic logic in this relationship lies in recognising that the agreement is with the Australian office of the computer manufacturer, which does not manufacture computers. In effect, the Australian office also fulfils a distribution and management role. From this perspective, the relationship might in fact be classified as one with cumulative logic.

Key activities highlighted for the relationship include marketing, sales, technical support and distribution in the NZ market. The partner firm specifically highlighted the importance of distribution, whereas the focal firm appeared to place a greater emphasis on marketing and sales. Both firms, however had a comparable understanding of the key product-markets on which the relationship was focused. This joint understanding was also reflected in their ratings of product-market importance, each partner's contribution, and their respective experience in the listed areas. A summary of these ratings can be seen in Table 4.4.

**Table 4.4: Summary of Product-market Ratings for Case 1**

Product-market segment	Importance rating		Contribution rating (%)		Experience rating			
	Focal	Partner	Focal	Partner*	Focal		Partner*	
Education	7	6.4	75	85	7	6.5	6	6
Publishing	6.5	5.25	62.5	87.5	6	6	6.75	4.5
Retail	4.5	5.75	80	87.5	4	3	5.25	4.5
Commercial	4.5	4.5	55	87.5	4.5	5	4	3.25

*Notes:*

\*The ratings provided by the partner indicate their rating of the focal firm's contribution in each of the listed product/market areas. Firms were asked to divide a total figure of 100% for contribution among the relationship partners. The importance and experience ratings were on a scale of 1–7, where 7 indicated the highest rating possible for that category. Experience ratings include a self (first column) and partner (second column) rating of experience. The figure in each column represents an average of all responses from the focal firm or partner firm.

It was interesting to note that the partner firm in this relationship provided consistently higher ratings of the focal firm's contribution, indicating a high degree of confidence in their partner's performance within both areas. Favourable partner assessments indicate a level of trust and respect and reflect a positive working relationship. The association between favourable partner assessments and the achievement of objectives is discussed further in section 5.4.

## Technology

The relationship's core activity is the distribution of computers and related peripherals, and so its classification as a high-technology collaboration in the database is likely to have been made on the basis that it functions within the high-technology arena and deals with high-technology products. In this relationship, the NZ focal firm also provides

technical support to local customers, an activity that would require a certain degree of technical knowledge.

This observation is important in that it demonstrates the extent to which many firms are likely to misrepresent activities and technology use within specific collaborations, given that the questionnaire for the sampling frame was intended to be an activity-based classification.

### **Geographic Scope**

This relationship is between firms based in New Zealand and Australia. The Australian partner's parent company is based in the United States. A complicating facet of this relationship, however, has been the influence of the Australian partner's parent company and the worldwide changes to the product range and the nature of agreements that it was willing to sanction.

These issues are discussed later in the case study. Key aspects associated with the background to these observations are now discussed below.

### **Context**

#### *ITCo Corporation Limited (ITCo)*

ITCo has been a publicly listed company in New Zealand since 1968. Although the firm has existed in many forms, the current name was adopted in 1997, at which time key business concentrations were developed. It has three business streams: distribution, education and e-business. The company has built a successful information technology distribution business with a number of leading international brands.

In the past ITCo has had exclusive distribution rights for Computers International products in New Zealand. This is no longer the case, they are still the sole wholesale distributor for Computers International locally. Sole distributorship of Computers International products has provided ITCo with a degree of credibility in the market. The manufacturer has not moved to cultivate relationships with other NZ distributors, and has expressed no intention to do so in the future despite the fact that it has formed such relationships elsewhere in the world. Respondents felt that the NZ market would not be big enough to sustain more than one distributor.

ITCo also has the distribution rights of brands such as Hewlett Packard, Microsoft, Epson, Compaq, Toshiba and Techtronics. Multiple distributorships provide the opportunity for joint promotions, but co-marketing is not always strongly encouraged at the local level. The Computers International products still benefit from having access to the other brands being sold, and the situation allows for cooperation in an otherwise competitive market. As one interviewee noted:

“Computers International by themselves would struggle to compete with Hewlett Packard ...” (C1F1R1INT1)

In effect, ITCO achieves economies of scale through the distribution of multiple brands. Conflict of interest between the various distributorships is avoided by the use of separate product managers and strong divisional lines. This also helps maintain a Computers International focus. Computers International effectively functions as a separate division within the ITCO offices.

Education forms a significant part of ITCO's activities, an emphasis that supports Computers International's philosophy worldwide. ITCO also has plans to develop a new division to support the exclusive distribution of educational products imported from the United Kingdom. This agreement is with a well-known firm that currently holds 50% of the educational software market in the United Kingdom.

A whole new team at ITCO has been coached on the Computers International 'way'. ITCO specifically recruits a different kind of person to work on the Computers International account. The multinational considers the distributor's office to be its New Zealand office. Because ITCO is seen as 'Computers International NZ', ITCO tries to mirror the Australian operations as much as possible.

ITCO now employs over 120 staff. The growth in ITCO has necessitated an additional emphasis on entrepreneurialism to compensate for the institutionalisation that did not previously exist within the firm. This is especially evident in the attitude of the managing director of ITCO:

“I've matured and am nowhere near the risk taker I was but I'm still entrepreneurial.” (C1F1R2INT1)

ITCO reported a tax-paid profit of over \$1 million for the year to December 2000.

### *Computers International, Australia*

Computers International is a wholly owned subsidiary of Computers International Incorporated US. Essentially, Computers International is managed from the United States. Australia is a sales, marketing and distribution organisation that receives guidelines from the United States, which are then shared with New Zealand. It does not function on a distribution agreement. Computers International Incorporated US previously had its own distributor in Australia, and only adopted the current operating model during 1981–1982.

Morale in Computers International (Australia and US) was low through the early 1990s, and both organisations worked hard to rebuild confidence. The result has been fairly large changes in Computers International over the years and a stronger customer focus. Computers International has moved to focus on core technologies with a decreased product range. Peripherals, such as printers and scanners, are no longer manufactured, and other product lines have also been culled.

Computers International has undergone major changes as a result of this. It is thought that this has, in part, been the work of a visionary leader in Australia who had the ability to clearly see what was required in the market. However, many of the key people with whom relationships had been built in Australia have left or have been made redundant. Obviously, new employees did not have the historical relationship with ITCo, and working with this has proved to be a learning experience for both firms.

### *Industry-related and General Relationship Background*

Computers International and ITCo struggled through the 1990s with the dynamic changes in the information technology environment and with the significant reductions in margins. Margin pressures resulted in business re-engineering—ways to reduce costs and grow profit. Computers International has, however, been highly satisfied with the performance of ITCo, and has not demonstrated any desire to make changes to the relationship. As summarised by the National Manager of Education, Computers International:

“Computers International and ITCo have had to struggle through the 1990s with dynamic changes in the IT environment with significant reduction in margins ... ITCo has done a pretty good job of getting hold of those issues and moving forward with them ...” (C1F2R2INT1)



Other external influences on the relationship have been the trend towards information technology standardisation, exchange rate fluctuations, and technology differentiation. Changes to parallel-importing laws in New Zealand could also signal the entry of new importers, affecting the market structure.

Product restructuring has resulted in new products being released every six months. Innovative products have had a big influence on Computers International's turnaround. It has been a leader in terms of shape, colour and uniqueness, which has had appeal to certain groups.

Product innovations are continual, and secrecy surrounds the development process. Computers International does not receive new product information in advance, and this, staff suggests, often makes it difficult to manage key accounts. The concentration has thus shifted from future products to those currently being offered.

The devotion that many people demonstrate to the Computers International products was considered to be crucial in its recovery—people who use Computers International products appear to have a wholehearted belief in them. Commitment to the brand has also had a bigger impact on the relationship with the end-user. This is related to image, reaching targets, quality of service and the resurgence of Computers International around the world.

Mass retail had been trialled in the Australian market but did not produce good results. There, both Harvey Norman and Computers International could not meet each other's expectations, and consequently customers suffered. Mass retail requires large resource investment and training. A relationship has been maintained with mass merchants and training is being provided.

There are about 3,500–5,000 computer retailers in New Zealand. Sales are typically conducted through resellers, although schools are often dealt with directly. Many resellers would be unhappy if direct trading relationships were established with their customers. Experts are brought in to support resellers when necessary, and direct support is provided to the schools in the form of professional development. All training is, however, provided in consultation with the channel members.

Computers International in New Zealand has tended to exceed Australia in market share, and has been around 7% of the combined PC market. The United States has been slightly lower than Australia. At a time when Computers International was not performing in New Zealand it was around 3%, which was still ahead of Australia. IDC<sup>1</sup> reports provide industry-related information and the growth rate is currently 20%.

The fact that ITCo consistently achieves targets reduces the need for Computers International to look for other distributors in New Zealand. As the general manager of the Computers International Division in ITCo stated:

“Computers International have said quite clearly that it is not a big enough market to have two distributors and do the sales and marketing .... they don’t want to move into New Zealand at this point in time”. (C1F1R3INT1)

Local product requirements are now met from Singapore. This change in supply has resulted in a superior level of service for the NZ market. The product can now be purchased on a build-to-order basis (which has had a major influence on the schools market in New Zealand), and stocks are no longer carried in large quantities.

Overall, the re-emergence of Computers International was cited as a key contextual factor in the achievement of relationship objectives. The success of ITCo—and consequently the relationship overall—was, in part, attributed to the emphasis on Computers International.

As the ITCo finance director notes:

“[A] ‘Computers International’ focus is a success factor”. (C1F1R1INT1)

This emphasis on the partner was also reflected in the mapping exercise and is explored later in the case.

Moreover, the importance of Computers International’s performance in other markets was also recognised as contributing to the products, performance and collaborative activities locally:

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<sup>1</sup> IDC is part of the IDG (International Data Group), an IT media and research company. IDC provide technological intelligence, industry analysis and strategy advice to firms involved in IT. They have offices worldwide. For more information, refer to: <http://www.idg.com>

“... success of the products in the UK does have an effect on what we are doing here  
... success breeds success ...” (C1F1R3INT1)

“... success factors for the relationship are it goes back to those functional areas ...  
and our ability to generate demand ...” (C1F1R1INT1)

### **Form and Formation Process**

The involvement of the managing director of ITCo played a role in the formation of this relationship. At a trade show in the United States, Computers International approached CED, a local NZ firm dealing in watches at the time. The current managing director of ITCo had a shareholding in CED and was responsible for developing the existing relationship.

However, Computers International was not happy that CED—a public company board that had little experience with computers, or in the industry in general—controlled the distributorship. CED subsequently lost the Computers International distribution, and the managing director of ITCo was approached to take over the franchise personally.

The current relationship is primarily with the Computers International office in Australia. Quarterly reviews are conducted, and 99% of the dealings are with the Australian senior management team. ITCo also have a few dealings with the United States, but communications with the Computers International group are at a strategic level.

The two firms have a standard distribution agreement that allows ITCo some control over the NZ market and responsibilities in marketing, sales and the technical side of the business. Within this, all of Computers International’s specifications are adhered to. The relationship is reviewed every few years, dependent on the management changes within Computers International.

As mentioned previously, ITCo has a business division for Computers International products within its organisation structure. The decision to run the Computers International dealership separately was based on the scale of the Computers International business and historical management practice. Employees within the Computers International division are responsible for the product and its marketing. The positive impact of this structural separation of the relationship between ITCo and

Computers International can be traced through all aspects of the collaboration. The importance of this structural arrangement in giving the partner a specific focus is discussed further in Chapter 5 at 5.2.2 under 'Focus'.

The areas where resources are shared among the divisions are support systems, common warehousing support team, financial support team, and common credit management and information systems support. The sales function is clearly separated.

Revenue potential is the responsibility of ITCo, but these figures are set with some guidance from Computers International. ITCo consults with Australia when setting targets and basically works on one-tenth of their business. The United States occasionally imposes targets.

A major influencing factor in the relationship has been the fact that in about 1997/98 Computers International worldwide moved to non-exclusive agreements. The mandate for the change in agreement structure originated from the United States, and was based on the fact that many of the agreements in Asia were not working effectively. This re-engineering of dealerships has changed the supply model and the whole range of business. After lengthy discussions ITCo was granted a new distribution agreement but the word 'exclusive' is no longer used. ITCo continues to be the sole distributor of Computers International products although they no longer have an exclusive agreement in line with this global policy change.

The previous exclusivity of the contract also appeared to play a key role in the outcomes achieved. Respondents indicated that the exclusivity encouraged both focus and commitment. It provided ITCo with the opportunity to be the sole representative for a major brand. The opportunity, however, was made even more attractive by the existence of other brands and the potential benefits to Computers International achieved by the cross-selling of products that would in other markets be strong competitors. ITCo can 'bundle' services and products that would not otherwise be available to Computers International customers.

### **Partner Selection and Opportunity**

ITCo is considered to be a value-added distributor that performs the sales and marketing functions for Computers International Computers in New Zealand. The aim of

Computers International is to maximise its potential in New Zealand, and ensure that customer satisfaction is optimised. Computers International continue with the distribution agreement because an excellent level of service is provided.

The main activities of the relationship are channel management, distribution, marketing, general brand awareness, major account management, development of new market segments and development of new channels. These activities include purchasing and shipping, a financial relationship with Computers International and technical support. All activities are considered important and essential in maintaining customer relationships. ITCo provides the greatest contribution in the sales and after-sales areas, debtor collection, internet solutions and customer service. The product remains the responsibility of Computers International.

Respondents suggest that the achievement of objectives in the relationship might in part be attributed to a link back to the key functional areas and their ability to generate demand. The ability to recruit and retain dedicated staff who are able to enhance the relationship also drives its success. The entrepreneurial nature of key staff in ITCo has also been important in achieving this. As summarised by the finance director of ITCo:

“What is becoming more important is a strong IS [information systems] system ... leadership committed to the success of the relationship and ... focus on the customer ...” (C1F1R1INT1)

Although Computers International is responsible for ensuring product and part availability, local customer satisfaction is in effect based on the service provided by ITCo. The level of experience that ITCo has with Computers International products is very high. The enthusiasm and attitude of key employees are also considered crucial in maintaining an adequate level of sales.

ITCo sells Computers International products through the channel, and is therefore distanced from the consumer. The relationship within the channel is maintained through customer service personnel, account managers, product managers and the market manager. Senior management also support the channel relationship and Computers International are in touch constantly to ensure that the supply chain is sustained. Contact with end-users is established through trade shows, brochures and seminars. The divisions within ITCo essentially mean that a reseller may see two salespeople, one for

Computers International products and one for other brands that are sold through the firm.

Marketing and account management in New Zealand is primarily the responsibility of ITCo. ITCo's level of experience in these areas is high, and it is recognised that Computers International would not be able to provide the same level of channel support in New Zealand.

The company trades with a number of authorised resellers throughout the country. It deals with about 1,500 computer retailers on a regular basis. ITCo provide strong support to channel members, but does not generally provide support to the public in the first instance. Any problems that cannot be resolved through the channel are referred back to the Computers International Support Centre within ITCo.

Brand awareness has been enhanced through product placements in local programmes such as *Shortland St*, *5.30 with Jude*, and *Ice TV*. Overseas, they appear in *Drew Carey* and *Sex in the City*. Placements are selected on the basis of 'fit' with the company image. In line with international Computers International policy, ITCo does not pay for any of these placements.

Internationally, Computers International conducts a reasonable amount of web advertising. There has been some local promotion in conjunction with Xtra (Telecom NZ's internet service provider). Overseas marketing efforts and general consumer perceptions also affect the level of local sales.

The product is currently sourced directly from Singapore, and distribution becomes the responsibility of ITCo once it reaches New Zealand warehouses. Products can also be built to order through the online store. This service is currently being trialled in Australia but is not offered in New Zealand.

As mentioned earlier the mass retail trial in the Australian market produced poor results, with neither party meeting the other's expectations. Based on this experience, ITCo is hiring one person to be solely responsible for the training of mass merchants in the NZ market. The Computers International Education Centre (within ITCo) will also provide training for the entire channel.

The quality of products offered within the relationship has also been an important factor in the relationship’s ability to succeed. Products included in the agreement are desktops, laptops, servers, Exbooks and spares. Portables and desktops are tailored for both consumer and professional markets. Desktops are vital and account for 90% of the business. ITCo has a high level of experience in all of these product areas, except servers where ongoing improvement is required.

Computers International worldwide has an established product quadrant. This consists of a desktop and portable in each of the consumer and professional markets (see Figure 4.1). ITCo is most experienced in the professional desktop range, and is least experienced in the professional portable and software areas. The market for portables has been developed extensively, and the contribution of portables is likely to increase in the near future. xBics are an important product in the consumer education sector for desktops.

**Figure 4.1: The Computers International Product Quadrant**

	Consumer	Professional
Desktop	xBic	y4
Portable	xBook	Exbook

Computers International also has a specific market segment focus. Major segments are education, retail, publishing and commercial. This is reflected in the local NZ market. The government is an increasingly important segment in the Australian market. ITCo has most experience in education and publishing, while Computers International has least experience in retail. The contribution of ITCo to the education market in New Zealand is also very high.

ITCo has a complaints procedure in place. In addition, customer surveys and research are conducted with regard to the service offered and such things as the image of the firm. Feedback is also given at road shows and via a website maintained by an independent Computers International advocate.

Effective communication and distribution have also been important, as have good control and getting inventory levels right.

## Relationship Dynamics

The shared values and commitment of Computers International and ITCo have provided an important foundation for this relationship. An effort is made to build and maintain good relationships between the two firms. An employee in Computers International is responsible for the overall relationship. Dealings are predominantly with two people in the Australian office and the contact is open. ITCo has detailed knowledge of what products are sold in the Australian environment, and what prices and at what margins.

Consequently, Computers International and ITCo share strong communication, and have a participative agreement. Communication is now thought to be at a superior level to that which it has ever been. This includes daily email contact, telephone conversations and face-to-face communication each quarter. The ITCo team attends meetings in Australia once a quarter, and top management attend Computers International executive meetings.

These shared values and focus, the commitment of key individuals, and a high cultural 'fit' provide a strong foundation for this relationship. This is demonstrated throughout the organisation. According to the managing director of ITCo:

"The whole culture ... the way I do business is all tightly relationship based ..."  
(C1F1R2INT1)

It is an open relationship where everyone is treated as though they are one of the group – in essence, everyone is 'Computers International'. ITCo effectively became 'Computers International NZ'. Comments made by the interviewees reflect this:

"We are all treated like part of Computers International and are not treated as a customer [but as] part of the organisation [a] very free and open kind of relationship ..."  
(C1F1R1INT1).

"The supplier–customer relationship would be one of the most open I have experienced before ..." (C1F1R1INT1)

"I see this relationship as better than anything I've ever come across ..."  
(C1F1R3INT1)

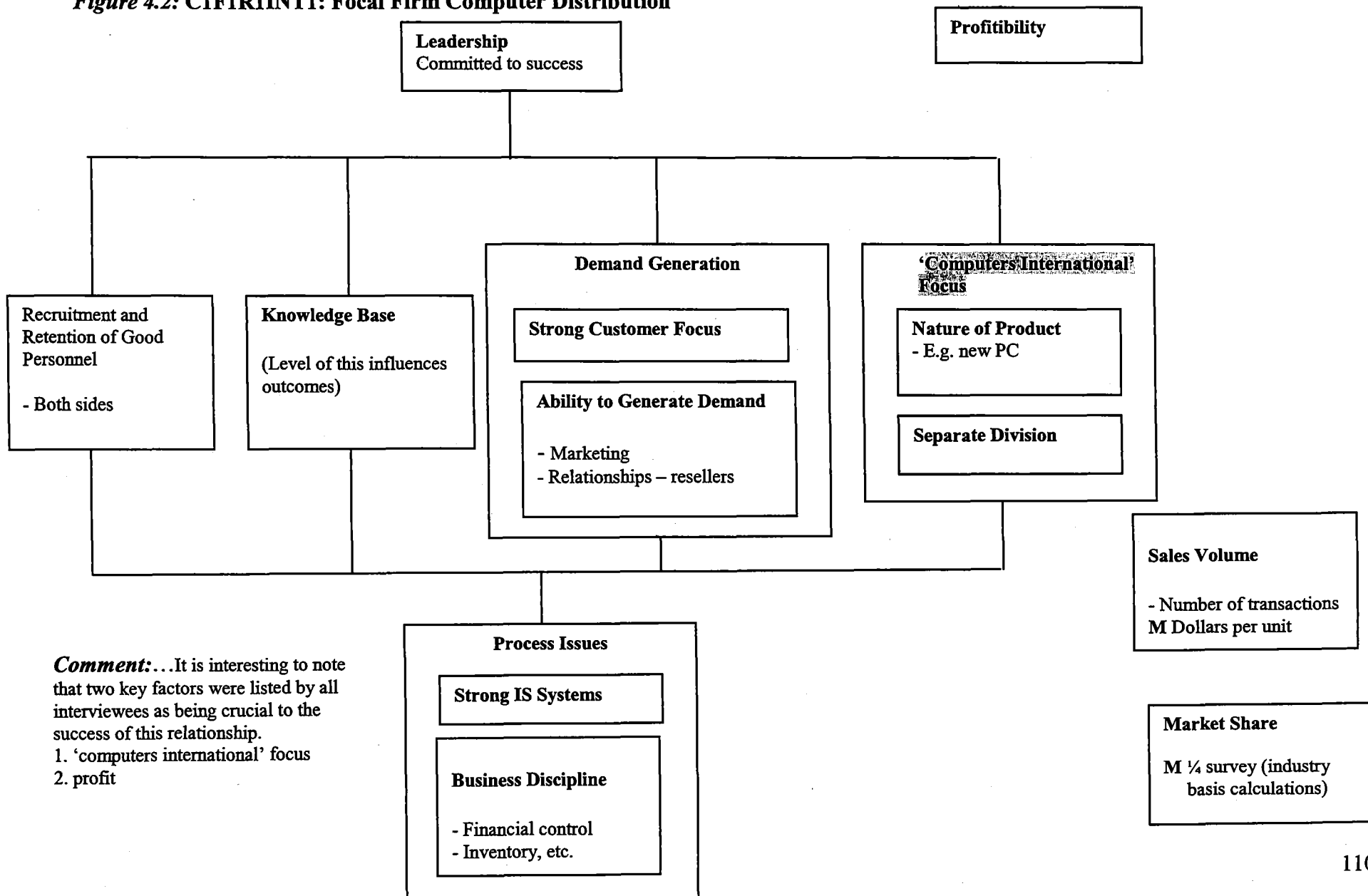


Trust, total and open disclosure, and long-term objectives are considered fundamental to the relationship.

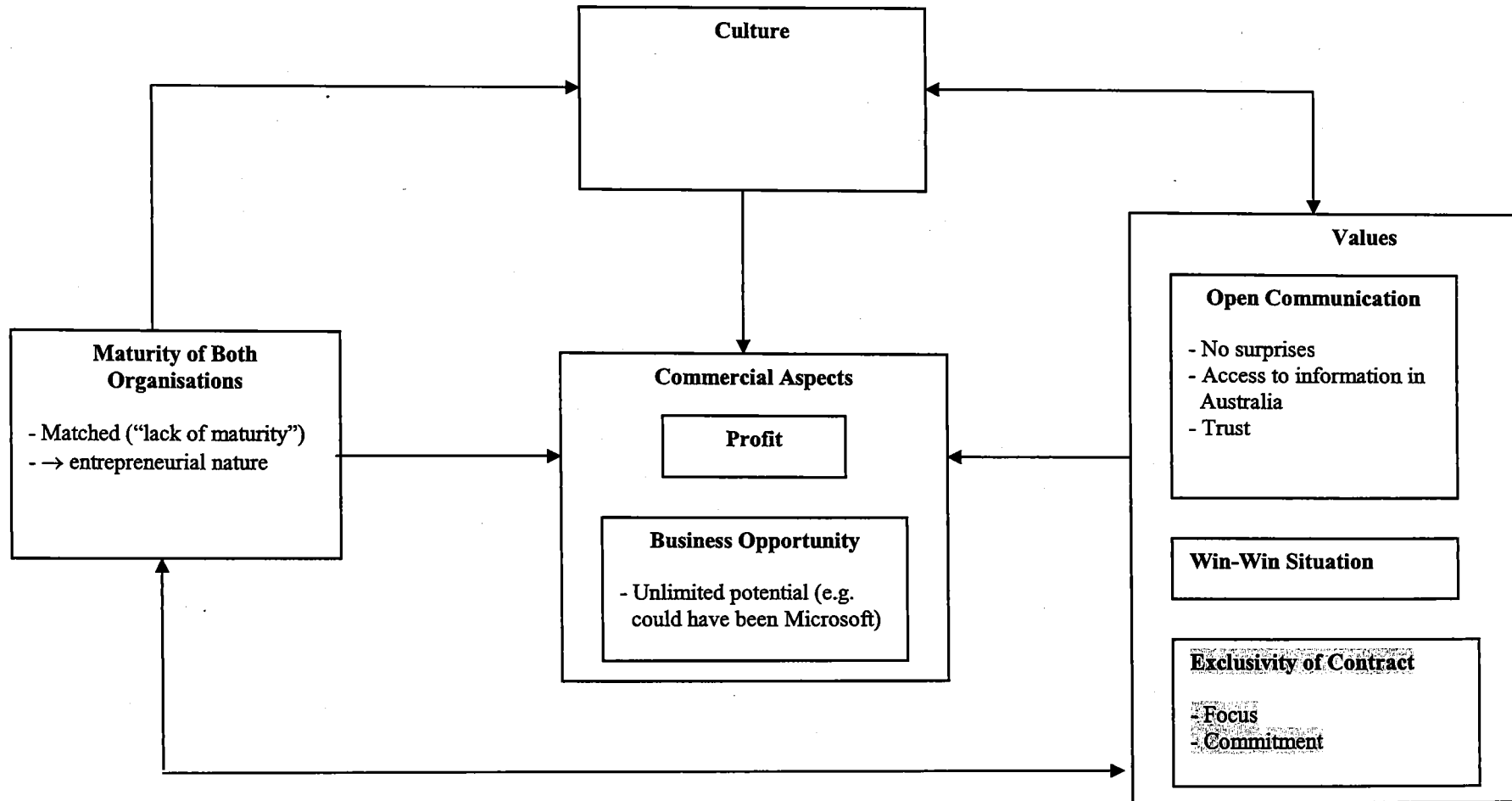
The focus on Computers International products and its isolation in a separate division were seen to be important contributing factors to the success of the relationship. Top management in ITCo subscribe heavily to the Computers International culture, and an effort is being made to maintain comparability to the overseas operations. The cognitive mapping exercise produced results that generally corroborated comments made by the interviewees. These can be seen on p.110–112. Two key factors were listed by all interviewees as being crucial to the success of this relationship: (1) the ‘Computers International’ focus exhibited by the focal firm and (2) profit. Significantly, both partners recognised the importance of these factors in achieving objectives.

The firms in this relationship believe they have faced only two minor challenges. First, the increasing pressure on margins has influenced both companies and had an impact on the relationship. Secondly, Computers International was not able to supply to meet market demand for certain machines in October 1999. Neither factor has resulted in a long-term diverse impact on the relationship.

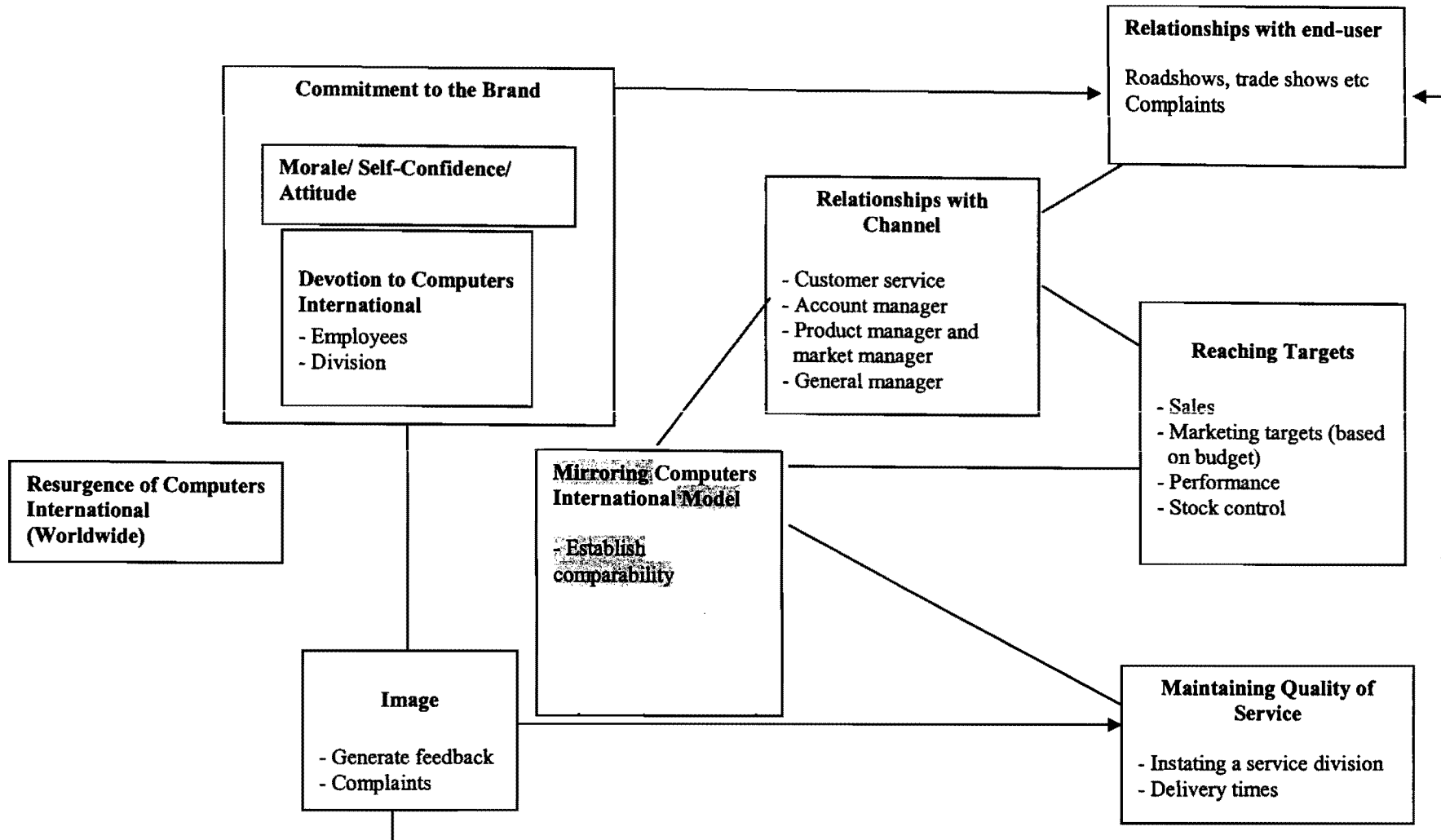
**Figure 4.2: C1F1R1INT1: Focal Firm Computer Distribution**



**Figure 4.3: C1F1R2INT1: Focal Firm Computer Distribution**



**Figure 4.4: C1F1R3INT1 Focal Firm Computer Distribution**



### Managerial Perceptions

Significant factors that have influenced the relationship with ITCo are the return to innovation and a product focus in Computers International worldwide.

“The return to innovation and product, these are Computers International specific things, but they have absolutely influenced our relationship with ITCo ... secrecy now surrounds the product innovation ... we don’t get information, nor can we share information ... which makes it tough to manage key customer accounts ...”  
(C1F2R1INT1)

Despite this, the past months have been very exciting for the firms with a move into new technologies. Product innovations are perceived to be better than they have been in the past, but the increasing pace of change within information technology presents real challenges.

Computers International regards ITCo as an independent and innovative organisation. ITCo has taken reasonable initiative in developing marketing programmes and planning for new products. Computers International continue to use them as distributors because ITCo provides a good service. According to the National Account Manager, Computers International:

“We wouldn’t want a situation where ITCo would be totally reliant and dependent on Computers International for all their ideas and initiatives.” (C1F2R2INT1)

At the same time Computers International provides a reasonable amount of information regarding market success in Australia that can be utilised in New Zealand. One such area is the growing tertiary education market. The developing relationship between educational institutions in Australia and New Zealand also needs to be capitalised on.

Overall, the relationship is considered to be very free and open, with a strong cultural fit. Good communication and contact are evident at all levels within the firm, especially top management. The Computers International culture is visible within the relationship and is characterised by ‘fun and enjoyment’ in the pursuit of outcomes. As one interviewee remarked:

“We became ‘Computers International’ NZ.” (C1F1R2INT1)

Major issues that will affect business, and therefore the relationship, include parallel-importing laws in New Zealand, trends toward information technology standardisation, and the focus of customers on employee resource planning solutions.

### Summary

The current mode of operation appears to be effective within this relationship. Despite the *move to non-exclusive agreements* internationally, the local market is *served by sole distribution*. This successful working relationship is not likely to change in the near future.

This relationship *continues to achieve its objectives* as indicated by the respondents on a number of criteria. The relationship also demonstrates *positive mutual assessments* by the partners in key areas relating to contribution and experience. The *value placed on each partner's skills* reflects a confidence in the relationship partners.

A key factor that appears to have had an impact on the success of this relationship is the *clear focus that the NZ firm maintained* on its partner: it became 'Computers International NZ'. This was evident in many areas. In the first instance, a structural division within the focal firm allowed for the *separation of core collaborative activities* associated with this specific relationship. The Computers International Division strengthened the focus on this particular alliance and appeared to have been an important factor in its success. The focus on Computers International also appeared to contribute to a *greater level of shared values and commitment* on the part of both partners. In addition, the impact of a worldwide move to non-exclusive agreements was thought to have made little difference to this relationship because of these positive forces.

## **CASE 2: CHEMICAL MINING AND PROCESSING**

## **CASE 2: CHEMICAL MINING AND PROCESSING**

This relationship involves a NZ speciality chemical firm (ChemCo) and a Japanese trading house (Distribution International). The relationship was created to support the mining and processing of lithium extracted from seawater. The product was then to be sold to Japan for use in the manufacture of batteries and electronics. This relationship was characterised by cumulative logic, the high use of technology, and an international focus in the sampling frame. While the relationship is still in existence, neither party believes that it has achieved its objectives. At the outset neither firm agreed on the objectives of the collaboration. What follows is a discussion of the elements/factors that have contributed to the outcomes of this relationship.

### **Outcomes**

The two partner firms showed no comparability in the objectives they each listed.

The focal firm in this relationship primarily sought:

- assistance in the distribution of its product
- financial support in developing the production technology.

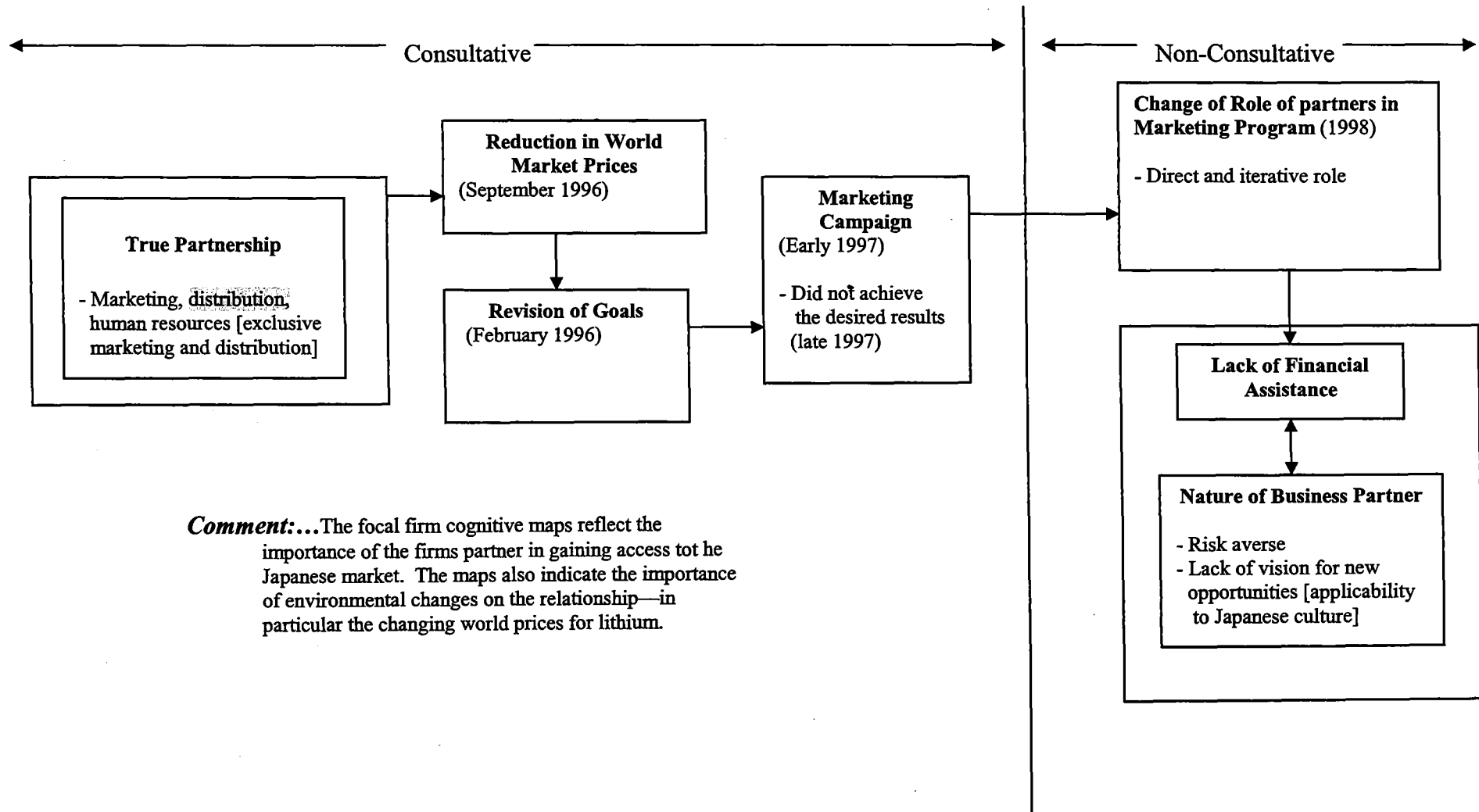
The partner firm cited important outcomes as:

- revenue
- dividends
- advantage to its firm in procuring contracts to supply new products and related commodities as important outcomes.

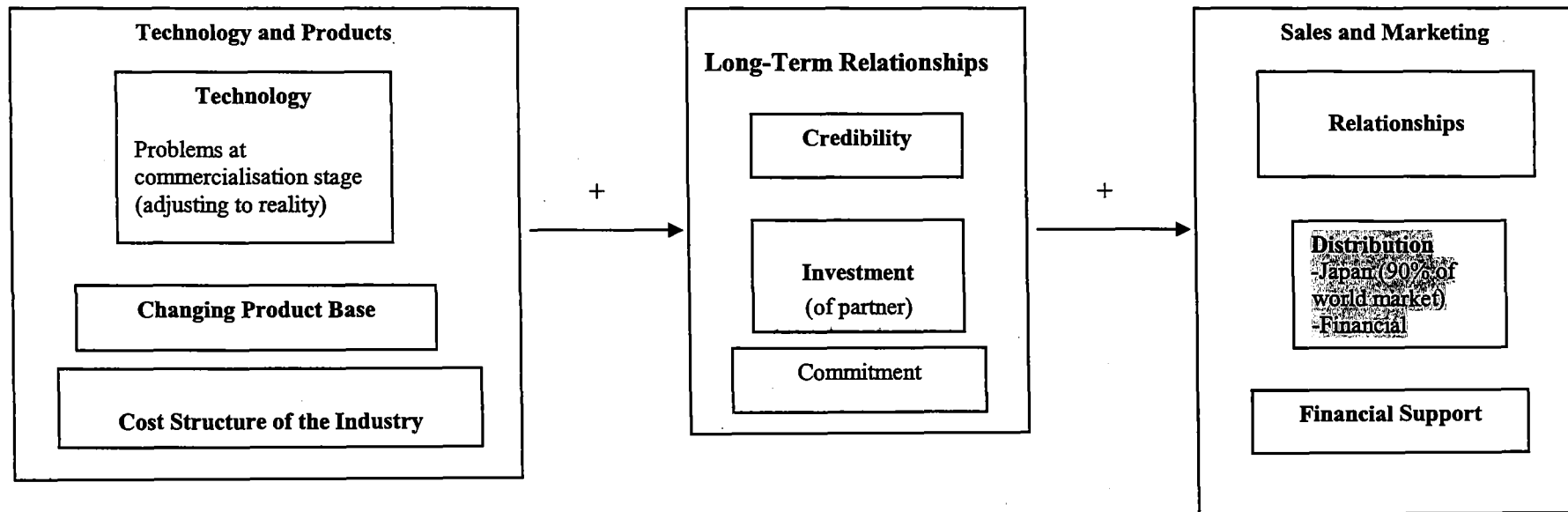
Neither firm believed that its outcomes were achieved satisfactorily; however, the focal firm recognised the importance of working with the partner if it were to access the Japanese market. This was reflected in the cognitive maps of the focal firm interviewees (p. 117–118). Such diverse focuses and different priorities cannot help but have a negative impact on collaborative performance, as this case study illustrates.



**Figure 4.5: C2F1R1INT1: Focal Firm Chemical Mining**



**Figure 4.6: C2F1R1INT1:**  
**Focal Firm**  
**Chemical Mining**



Despite the inability to accomplish concrete outcomes, the relationship continues. One interviewee, who believes the relationship has entered a new phase, commented:

“... we have seen each other at our worst moments ... you live a bit and your relationship is the better for it ...” (C2F1R1INT1)

### **Strategic Logic**

This relationship was categorised as exhibiting *cumulative logic* by the focal firm in the sampling frame. However, data gathered in the interviews could lead to a re-classification of this relationship as displaying *complementary logic*.

The NZ firm possessed a unique technology for the extraction of lithium from seawater. This process was seen as providing certain benefits and a superior final product. The partner firm primarily acts as a distributor able to provide large-scale entry into key markets. The actual agreement is with the NZ office of this multinational trading house, and it provides the focal firm with the first point of contact. However, the partner firm filled a dual role as both distributor and investor in the relationship. Despite this, it could not have substituted the NZ firm's contribution. Likewise, the focal firm would have struggled to enter the Japanese market without the help of its partner. Each firm provided a unique contribution and held a level of experience in diverse activities. From this perspective, the relationship would be viewed as exhibiting complementary logic.

### **Technology**

The innovative application of this technology to the extraction of lithium from seawater was a key focus in this collaboration. Its classification as a high technology collaboration is essentially based on this unique process. Unfortunately, the case description demonstrates that the technology on which this relationship was initially founded proved to be an inefficient source of lithium. Specifically, changes in demand for lithium made it uneconomical to extract lithium using this technology. The changes consequently instituted to rectify this resulted in different technological applications.

## **Geographic Scope**

This relationship was primarily formed to allow entry into the Japanese market. Subsequently, the services of the partner were to be used in gaining entry to key markets in the United States and Europe.

## **Context**

### *General and Industry-related*

There are three significant producers of lithium in the world. These companies are large bulk producers which predominantly operate out of South America.

Lithium has traditionally been mined from rock or iron ore through a laborious crushing and refining process, producing lithium carbonate. Lithium carbonate is a key end-product regardless of extraction method, purification and production technology. It provides a 'ubiquitous starting block' for lithium chloride and various other materials and products. The transitional qualities of lithium are diverse and result in numerous applications.

A key application of lithium carbonate is in the manufacture of batteries. A battery has two electrodes (a cathode and an anode), with liquid surrounding them. The cathode, which is the driving force of the battery, has a lithium component to it—lithium carbonate. Major changes in technology and related devices have resulted in an increased demand for high-performance batteries for use in products such as personal computers and portable communications devices. This demand pattern is predicted to increase, with the demand for lithium batteries expected to surpass that of other traditional products.

General consumption patterns of lithium have also changed. While batteries represent a significant application, lithium is also used in pharmaceuticals, in the manufacture of synthetic rubber, and with other chemicals. All of these end-products require exceptionally high-quality, processed lithium products. ChemCo's technology was intended to make this extraction process more economical.

Lithium has also been used in the manufacture of nuclear weapons. For 30–40 years during the Cold War period, the US Department of Energy stockpiled the residual,

lithium hydroxide. Releasing the hydroxide was seen as detrimental to national security, on the basis that other nations would be able to calculate the amount of nuclear weapons that were being developed. At the end of the Cold War the US government, recognising the resource waste that had been created, released the material onto the open market.

Lithium prices decreased significantly in the late 1990s due to a combination of the Asian economic crisis, oil price changes and the entry of an aggressive new player in the marketplace.

Interviewees estimate that 95% of the world's lithium battery production occurs in Japan. This is probably due in part to the concentration of customers there, given the large number of electronics firms based in Japan.

The Japanese market is traditionally accessed through trading houses; it is very difficult to sell directly. Market penetration without the support of a "big brother" is very difficult. The nature of trading-house distribution revolves around dealing with one particular house, and thereby excluding dealings with others that may be regarded as competition. Many of the trading houses, however, have relationships with all major companies and are not subject to the same exclusions as the suppliers.

The perceived potential for negative consequences on other opportunities and relationships from conducting business in the Japanese environment is summarised by one of the interviewees from ChemCo:

"It's not a case of where you are making mistakes, as can you make a lesser amount of mistakes; it is a complex society—you are always offending someone."  
(C2F1R1INT1)

Many changes are thought to have contributed to objectives not being achieved: the market changed with the entry of a new competitor, which led to a fall in the price of lithium carbonate (estimated to be a 50% drop) and rendered the technological development of ChemCo unfeasible. Consequently, the product was less competitive than Distribution International had envisaged, and market share was eroded by new competition. Questions began to surround the economics of both the situation and the relationship. The impact of changing world prices was expressed with some strength during the course of the interviews and was also reflected in the cognitive maps.

Furthermore, the direct relationship between this and the changes to the product could be noted.

### *ChemCo*

ChemCo, a NZ-based firm, was formed within the Mars Holdings Group in 1994. Mars Holdings has a management position, examining the acquisition of technology, investing capital, and fulfilling a nurturing role in the development of firms under its umbrella. The company was primarily based on proprietary technology being developed for the extraction of lithium. ChemCo perceived a niche, especially in the Japanese environment, for offering a high-quality product customised to local market requirements.

Worldwide, lithium was considered to be an expensive commodity. A growing use of lithium could be seen in lithium batteries, an industry that ChemCo wished to target specifically. There seemed to be a market opportunity, with lithium batteries competing alongside liquid batteries. ChemCo was to extract the material from seawater at plants in the Firth of Thames, which would provide a unique marketing edge and superior product.

### *Distribution International*

Distribution International is a large Japanese trading house estimated to have billions of dollars' turnover. It is considered to be among the top 10 trading houses in Japan. The organisation is characterised by relatively small margins, low profits and a long chain of command. Distribution International tends to represent the sale of commodities within the Japanese market.

Distribution International NZ is 100% owned by Distribution International Corporation Tokyo. The organisation in New Zealand enables effective interchange between firms in the two countries. Profit is made through commissions for importing and exporting. Wood and lumber are the main exports from New Zealand; cleaning and associated products are the main imports. Margins are assessed on a case-by-case basis. Distribution International NZ primarily acts as a channel for products. The office in Japan undertakes all major marketing efforts.

Distribution International lost US\$900 million in the late 1990s and had to write off US\$250 million in Indonesia. This resulted in staff retrenchment. Distribution International retired 500 people and hired only 200 people in their stead. Top executives were replaced in this exercise.

### **Form and Formation Process**

After years of examining the activities of ChemCo, Distribution International approached the company with the possibility of developing a relationship. The Tokyo office had originally requested Distribution International NZ to investigate the activities of the firm, and Distribution International was aware of ChemCo's technology and the involvement of firms such as Singapore Technologies:

"They approached us ... they had actually been scoping us for a couple of years."  
(C2F1R2INT1)

The extraction of seawater was thought to provide significant promise, and Distribution International Japan invested on the basis of this project. Seawater offered the added attraction of being marketable from an environmental perspective.

Agreements were formed at this time. The initial contract was essentially for the first right of refusal on the marketing and distribution of ChemCo's products through Distribution International NZ and Distribution International Japan. ChemCo was to supply Distribution International with 3,000 tonnes of lithium carbonate per year from seawater extraction. The spirit of the agreement was that Distribution International would purchase the product at a certain price, which would be previously agreed. With this agreement, Distribution International adopted the dual role of investor and distributor.

### **Partner Selection and Opportunity**

The relationship was founded on the basis that ChemCo was to extract lithium from seawater. Distribution International was to be the exclusive marketer for this in Japan and then worldwide. Distribution International currently holds 30% of the market share for lithium carbonate in Japan.

Although standard lithium carbonate is being produced through sources other than seawater, it is thought that some qualities may make it more difficult for customers to use—for example, the texture may not be suitable for certain applications.

Managers at ChemCo believe that trading in Japan requires negotiation and exchange on both business and technical levels. An approach would be made to a middle- or top-level manager. They thought that a trading house would provide credibility and access to long-term customers. ChemCo found Distribution International to be useful in the introduction stage of relationships in enabling key connections and contacts. As one of the ChemCo interviewees commented:

“If you have the name of a company that does US\$102 billion turnover people assume that you are well connected ... that gets you in the door – relationships form – they have probably been trading with the people that we have wanted to trade with for the last 15 years ...” (C2F1R2INT1)

ChemCo’s selling efforts in Japan involve interaction at sales manager level and above. A considerable amount of negotiation and information exchange is carried out on both business and technical levels.

Although the agreement was designed to facilitate distribution in Japan, Distribution International provided an entrée into worldwide distribution. Distribution International Japan has a primary interest in the Japanese market servicing battery manufacturers. Europe and North America were considered primary targets after the Japanese market was accessed. Despite the fact that Japan was ChemCo’s biggest export market, it was also supplying to customers in Korea, the United States and the United Kingdom. The end-product was destined for cathode manufacturers in Japan, Asia, the United States and Europe. Many of these customers are large electronics firms.

For ChemCo, a key requirement was that the partner staff had to demonstrate experience in marketing and be chemically minded. Distribution International also provides key support on client visits. This is thought to have been a positive factor in ChemCo’s ability to enter the Japanese market within two years, as opposed to what it thought might be five or ten years on its own.

Distribution International NZ’s aim was to gain revenue from trading the commodity and through dividends on the shares. The initial idea was that ChemCo would be selling



lithium carbonate extracted from seawater to Distribution International NZ and then to Distribution International Japan. Distribution International Japan on-sold to the customer, where a larger profit was made. This product was to be processed at ChemCo's plant in South Auckland.

Distribution International had approached ChemCo as an investor, but it was not granted any management involvement due to its role as both a distributor and shareholder. This protected ChemCo from Distribution International's ability to influence any commercial decisions that it may not have benefited from. Distribution International still had to compete as a distributor in the United States.

The division of work and margins between Distribution International NZ and Distribution International Japan are negotiated between the two firms. Distribution International Japan is thought to have a higher margin in lithium carbonate than other products.

Due to pricing and other technology-related problems, ChemCo has had to find better products using the same technology base. ChemCo is currently involved in products—including sustainable energy systems and recycled batteries—that bear no resemblance to the original products that the relationship was designed to distribute. The investigation of other opportunities is likely to change the relationship in the future. ChemCo management is unsure whether Distribution International has the capability to deal with these, and has employed an Asian business manager, who has a better understanding of the nuances of the Japanese market, to provide a more direct input into Japanese business. As one ChemCo interviewee suggested:

“We are now involved in products that bear no relationship to the original products that we entered into the relationship with Distribution International for ... the products we now produce, they are probably not capable of distributing.”  
(C2F1R2INT1)

ChemCo is also developing relationships with other partners in Japan. For instance, a major Japanese cathode manufacturer is marketing some ChemCo products to large Japanese electronics manufacturers. Interviewees from ChemCo think this would not have been possible without the presence of Distribution International as a major supporter. ChemCo regards such agreements as vital to its future—from both a marketing perspective and a distribution perspective. Despite difficulties, ChemCo

feels that Distribution International has a valuable contribution to make with both existing and developing clients. It will also play a valuable role in handling logistics on a commission basis. ChemCo sees the role of Distribution International changing from an investment source to a logistics firm.

### **Relationship Dynamics**

Despite considerable research and development, ChemCo experienced teething problems in the initial stages. The water content of lithium carbonate being processed at the South Auckland plant was high. Some modification was required to remove moisture content from the carbonate. During this time, ChemCo faced difficulties associated with the change in markets and faced technical problems. As a result, ChemCo could not deliver the product at prices originally estimated.

Changes in the market during this time deemed the proposed seawater extraction technology uneconomical. Although this technology produces a high standard of lithium, the concentration of lithium in most seawater is dilute. During the mid-1990s ChemCo was in the middle of breaking ground on a plant in the Firth of Thames outside Auckland, when it became aware that the traditionally high price of lithium carbonate on which projections had been based had fallen after the market entry of a new competitor. ChemCo was no longer convinced that lithium carbonate would be viable in the Japanese market. The firm could not continue to extract lithium from NZ seawater (a dilute source) and still compete.

With other market changes, it became apparent that applying the technology to other sources might be a more feasible idea. Sources that exhibit higher concentrations of lithium hydroxide (such as the Dead Sea) would be more economical than NZ seawater, which provides very dilute concentrations of lithium hydroxide.

ChemCo proceeded to import lithium hydroxide purchased from the US stockpile to produce lithium carbonate. Lithium carbonate is processed to three grades—technical, high and ultra-high. These grades are set by ChemCo to allow for product differentiation in servicing markets.

According to ChemCo, after it had adjusted to changes in the market and proceeded with the manufacture of high-quality products, it found that the Japanese firm had

considerable difficulty in adjusting and were reluctant to purchase lithium carbonate resulting from other processes. ChemCo management also describe themselves as naïve about Distribution International and its ability to perform:

“[We were] a little naïve that these people would definitely be able to perform and get us the results ... we didn’t fully understand how the market works and how much time it takes.” (C2F1R2INT1)

The situation was, however, viewed somewhat differently by their partner:

“We were informed of [the changes] but we weren’t involved in the decision making ... the Japanese thinking was that they had been deceived ... they became more cautious in their dealings with ChemCo.” (C2F2R1INT1)

Despite Distribution International’s market presence and interest in actively pursuing alternative markets, ChemCo staff felt that Distribution International was not devoting adequate resources to the project, and that the Japanese market was not as receptive as Distribution International had originally indicated. Japanese customers took some time to evaluate ChemCo 's material, start working through technical issues, and thereby change supply contracts. ChemCo needed to demonstrate higher quality to enable acceptance of the higher price being demanded, which it eventually did.

In 1997, after results were slower than expected, ChemCo adopted a more direct level of involvement. It believes that subsequent results were due, in part, to ChemCo 's insistence and continual presence in Japan, without which it would have continued to be one of many small suppliers.

In the midst of this, ChemCo experienced cashflow problems. To survive this, it began exporting to Europe and North America. Despite reservations, Distribution International tolerated this move. ChemCo came close to closing twice. Its staff had thought that Distribution International might offer financial assistance during this time, but it did not. This may have been because, at the time, Distribution International was encountering its own financial difficulties as a result of the Asian economic crisis.

It is clear that the relationship between ChemCo and Distribution International changed over time. ChemCo's reassessment of seawater extraction resulted in a loss of faith by Distribution International, who had marketed the product on the basis of this method. The Japanese reaction to these changes was that they had been ‘deceived’. The fact that

ChemCo was no longer continuing with the project on whose basis Distribution International had invested was a major hurdle in the minds of Distribution International. ChemCo failed to adequately explain the economic reasoning behind the changes, although Distribution International NZ did help in facilitating communication between ChemCo and the Japanese office.

All of this created a perception that the partners were less compatible than previously thought. A ChemCo manager said:

“We are an entrepreneurial, aggressive company and Distribution International are a focused commodity trader ...” (C2F1R1INT1)

As the following quotes suggest, cultural differences were also perceived by ChemCo to contribute to the deterioration of the relationship:

“Japanese do not have the ability in their culture to handle failure—a bit of failure makes them very vulnerable and risk averse ... they march to the beat of their own drum and we march to a different beat.” (C2F1R1INT1)

“Trust and competency came up—Distribution International were not particularly confident.” (C2F1R1INT1)

“The Japanese don’t even like lawyers – they don’t like contracts.” (C2F1R2INT1)

and:

“The Japanese are prone to not giving you bad news ... give me bad news, I love bad news—gives me something to do ...” (C2F1R1INT1)

A lack of defined objectives, coupled with a lack of formalised process, made the evolving situation hard to manage. Perceived cultural difference may, then, have taken on a disproportionate weighting and fed a sense of impotence.

### **Managerial Perceptions**

Contextual factors were thought to have had a major impact on this relationship. The changing price of lithium and the entry of a new competitor merely compounded issues with the lithium extraction technology that was initially proposed. A change in

technology created problems within the relationship—exacerbated by differences in culture and communication. This process is described by one of the ChemCo interviewees:

“I don’t put [the lack of performance] down to necessarily any fault on Distribution International’s side. The market changed – a new world competitor came in and dropped the price of the product by 50% and that ... questioned the whole economies of the relationship ... We ran into technical problems, so we couldn’t deliver at those prices ... When we adjusted to a new market we found that the Japanese company had difficulty in re-adjusting ... they just didn’t perform because they wouldn’t change.” (C2F1R1INT1)

### Summary

This relationship is international in scope, involves a high level of technology, reflects complementary logic (despite its categorisation as cumulative) and has not achieved objectives. Various factors have been highlighted as contributing to the unsatisfactory outcomes within this collaboration. In the first instance, the *environment* within which the relationship was functioning *changed*. Prices of lithium dropped and the market was affected by the entry of a significant competitor. These changes prompted a reassessment of ChemCo’s technology. However, consequent *changes to production* resulted in *discontent* between the two partners. Ultimately, *cultural differences, poor communication, and a lack of consultation* compounded the *negative impact* of environmental influences. Whilst the relationship functioned within a formal agreement, neither partner referred to this at the time of key changes to the production technology. In fact, the *agreement was not able to provide guidance* in this regard.

### **CASE 3: CONVEYOR BELTS**

### **CASE 3: CONVEYOR BELTS**

This is an exclusive contract in which a NZ firm (BeltCo Ltd) distributes specialty conveyor belts built by a German manufacturer, Conveyors International. The distribution agreement predominantly concentrates on the NZ market. It was characterised by above-average performance, complementary logic and a high use of technology in the sampling frame. There appears to be some asymmetry in the size of the firms and the relative importance of this relationship to their viability.

#### **Outcomes**

Major outcomes in this relationship include:

- product quality
- delivery
- administration.

Partner relations and service quality were shared by both firms. Delivery performance includes Conveyors International's administration, order confirmation and technical solutions. Conveyors International provides consistent support, access to industry expertise, high levels of service, and good response times. All outcomes have been achieved satisfactorily.

Conveyors International also examines the ability of BeltCo to maintain consistency in paying bills. Market coverage, good service, personal relationships and comparable business orientations are crucial to Conveyors International and have been achieved. Conveyors International considers market share to be a major outcome, although this has not been strongly emphasised with the NZ partner to date. This is likely to change in the future. Recognition has been given to the fact that BeltCo is a relatively small firm with limited resources (see Table 4.5).

Sales fluctuations are monitored and explored. Performance of key customers is also examined. Overall, the relationship is evaluated by the extent to which it is a 'quality partnership'.

**Table 4.5: Collaborative Outcomes for Case 3**

<i>Nature of outcome/objectives</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance*</i>	<i>Achievement</i>
<b>Partner relations</b>				
Focal firm	C3 F1 R1 INT1	Level of administration	6	6
Partner firm	C3 F2 R1 INT1	Good personal relations	7	7
		Talking the same language	7	7
<b>Service quality</b>				
Focal firm	C3 F1 R1 INT1	Delivery service	6	6
Partner firm	C3 F2 R1 INT1	Good service	7	6
<b>Market coverage</b>				
Focal firm	C3 F1 R1 INT1	–		
Partner firm	C3 F2 R1 INT1	Good market coverage	7	5
<b>Product related</b>				
Focal firm	C3 F1 R1 INT1	Product quality	7	7
Partner firm	C3 F2 R1 INT1	–	–	–

### Strategic Logic

This relationship was categorised as exhibiting *complementary logic* in the sampling frame. An in-depth understanding of the case supports this classification. The focal firm provides local distribution and support services for Conveyors International. BeltCo is a value-added distributor who processes and finishes the belts prior to sale in the NZ market.

BeltCo focuses on the products provided by its partner. This concentration on its partner's products was considered important by the Conveyors International interviewees and enhanced its commitment to the NZ firm. This focus created positive influences that are evident through the remainder of the case study, including a clear understanding of collaborative activities and a sense of solidarity between the partners.

The activities that both partners highlighted as important for this relationship can be seen in Table 4.6. The partner firm's rating of the focal firm demonstrates an understanding of the focal firm's contribution and its role in customer support within



the local market. In addition, the partner firm respondent clearly indicated that he felt that the focal firm's experience in all key activity areas had improved considerably during the course of this relationship. The focal firm's experience in sales and marketing and maintenance would have been initially rated as 3 on the 1–7 scale, but at present would be rated as a 6.

**Table 4.6: Activity and Experience Ratings for Case 3**

Activities	Importance		Contribution (%)		Experience			
	Focal	Partner	Focal	Partner	Focal		Partner	
Sales and marketing	5	7	100	50	6	4	5	3→6
Processing	4	7	80	70	5	7	7	6
Maintenance	3	7	80	90	3	7	7	3→6

Both firms also had a similar understanding of the key product-markets on which the relationship was focused. This joint understanding was reflected in their ratings of product-market importance, each partner's contribution and their respective experience in the listed areas. A summary of these ratings can be seen in Table 4.7.

**Table 4.7: Product-market Ratings for Case 3**

Product-market	Importance		Contribution of focal firm		Experience			
	Focal	Partner	Focal	Partner	Focal		Partner	
High-end market	6	7	50	40	6	7	7	6
Middle market	2	6	50	80	4	4	6	6
Commodity market	4	6	50	90	4	4	3–4	3–4

### Technology

The core activity of this relationship is the sales and marketing of conveyor belts and the provision of customer support. The belts involve a high level of technology and the interviewees noted that technology has, in fact, had a major impact on the industry as a whole. These aspects of technology are considered in the 'Context' section of this case summary. Given its customer support and maintenance role, the NZ firm also requires a certain level of technical knowledge.

### Geographic Scope

This relationship is between firms based in New Zealand and Germany. It primarily involves the sale of belting products in the NZ market. The German firm has, recently,

had a change in ownership. However, changes in the structure have not had a major impact on the relationship. In fact, the firms agree that the change has strengthened the product range.

## **Context**

### *General*

Belting is considered to be a specialised business that requires 100% commitment and experience. Political and legal factors have also influenced the way in which markets have been accessed. These factors account for the wide range of organisation structures and affiliations that Conveyors International has worldwide.

Three global players are estimated to have a similar turnover to Conveyors International, the largest being a Swiss family-owned company with international operations. Another merger of three or four companies has created a firm of comparable size under a Dutch umbrella.

New Zealand is considered a small market compared to countries with large-scale demand, such as the United States. Limited demand is a recognised and accepted problem in this market. The deregulation of imports, however, has increased the attractiveness of supply to New Zealand.

The technology associated with the industry has also played a major role in the industry's flexibility. Belts are manufactured and then cut into strips of differing widths. For example, 4.5m belts can be cut into 3m- and 1.5m-wide belts.

### *BeltCo Ltd*

BeltCo is an owner-operated conveyor and transmission belt business based in Auckland. The current owner took over the business in the mid-1980s, after some years as an engineer within the firm. At that time, BeltCo was a manufacturing company specialising in PVC conveyor belts and lamination. In the mid-1980s it employed four people and had a turnover of approximately NZ\$220,000–NZ\$250,000.

The firm also had a sub-agency to purchase specialised belts from Conveyors International through its Australian company. The NZ Customs Department needed assurance that it was more feasible to import the product so BeltCo could be given a

license. This arrangement continued for some time. BeltCo received considerable support from Conveyors International Australia, and a concerted effort was made to develop the market industry-by-industry.

During this time, BeltCo stopped manufacturing in New Zealand and concentrated on the import of quality products to service the market. The current owner visited Australia, and then Germany, in the mid-1980s. This provided direct access to the product and avoided the extra 10% that Conveyors International Australia added to the product.

Subsequently, other key BeltCo personnel have visited Germany for training on Conveyors International's product range. Access to industry experts is considered to be an advantage by BeltCo.

Based on performance, BeltCo received an excellent credit rating and payment terms were extended first to 180 and then 240 days. This provided BeltCo with a considerable amount of credit.

The main industries supported by the product are the timber, horticulture and airports industries. Other areas include printing and packaging, postal services, manufacturing, canning and harvesting. Food and textile packaging are also considered to be important areas. Griffins NZ is one of BeltCo's largest clients. Luggage-handling belts are also considered to be a growth area. In line with this, a major contract for the San Diego airport was won through an Australian firm, Glidepath, who had already worked on airports in Brisbane, Sydney and Melbourne.

1998 was one of BeltCo's strongest years, whereas the first half of 1999 was considered to be the worst half-year. Fluctuations in performance were thought to have been influenced by the exchange rate. Future growth is predicted from the development of niche markets as opposed to existing customers.

BeltCo considers itself to be a specialist in light- to medium-weight conveyor belts. Minimum levels of stock are held locally to meet the needs of the market. The firm also provides maintenance services to clients in New Zealand.

As mentioned before, ownership of the German firm has changed; however, BeltCo continues to deal with Conveyors International GmbH. BeltCo belongs to the South

East Asian Group of Conveyors International affiliates and subsidiaries. Administration is efficient and Conveyors International responds quickly to any enquiries.

All belts are offered with an ISO9000 guarantee.

#### *Conveyors International GmbH*

This family company was founded in Hanover in 1919. The success of the firm is attributed to a patent that the company gained access to, enabling the development of the lightweight conveyor belt. This patent revolutionised specific technical applications and allowed Conveyors International to establish its position as a market leader in specialised conveyor belts. Although members of the Conveyors International family act as consultants to the firm, they are no longer involved in the firm's day-to-day running. It is operated by a board of directors.

The first overseas distributor was a company based in the United Kingdom. This relationship is still maintained; Conveyors International has provided that firm with considerable investment, but no attempt has been made to gain further control. Conveyors International recognises the need to maintain distributors who are focused on the products within a strong long-term relationship.

International expansion began in the 1950s, with a major drive in the 1980s. The company has set up a worldwide network for selling the product, consisting of mainly company-owned branches and affiliates, with agencies in a few smaller markets. It has 11 production facilities in Europe, America and Asia, 16 subsidiaries, 50 agents and over 300 service centres.

Conveyors International companies operate in numerous countries' including the United States, France, Australia, Switzerland, Japan, North America and Italy. Some business has also been conducted with Russia through the Japanese trading houses. Management of these operations are from the country in which they are operating.

In 1995, Conveyors International Singapore was established. Stock is carried for the South East Asian Group through this operation, thus allowing for quick access to stock via faxed or internet orders. A combination of belts are now also manufactured in the United States, Japan, Spain and Switzerland. Dispersed production curbs currency fluctuation risks.

Conveyors International services all branches of industry and the services sector worldwide. Conveyors International currently sells an extensive range of products, including special treatment and temperature belts and silicon belts. The product range also includes drive belts, and both transmission and engine belts. Patents are in place for technology relating to all applications. Conveyors International considers itself to be at the top end of the market, and is considered to be highly competitive in certain belt markets. Conveyors International has an estimated world market share of 20%.

With increasing market pressure, Conveyors International reached a point where a large capital input was required to maintain its competitive position. Around this time a consulting firm was hired to study operations in Hanover. This resulted in a drive to cut costs and to maintain closer contact with its customers. Consequently, Conveyors International sold to a Swiss company in the mid-1990s. This provided the business with resources to maintain its current position in the market and to expand its operations further to attract new customers. This link has allowed access to many niche and specialised markets, further strengthening Conveyors International's position. One major Swiss competitor is thought to have a comparable product range.

Conveyors International continue to expand into the plastic and modular belting areas. A recent acquisition of a small company has enabled Conveyors International to fill a gap in its product range at the lower end of the market for commodity belts. It has also formed a relationship with a world leader in the textiles industry, in which it provides a niche product at the high-quality end for textile printing equipment. Conveyors International also has the contract for a large firm in the United States which may require up to 46km of belt.

The involvement of the new owners has resulted in a few minor changes. The official headquarters are now in Switzerland, although all reports from the regional operations go through Germany. While credit times have been cut back to 180 days and tighter management control is evident, Conveyors International has been given complete freedom to continue operating as it previously was. Despite a change in management, the current export sales director remains one of the few top management staff to have visited New Zealand.

Conveyors International currently has a turnover of over DM440 million worldwide.

Conveyors International has a wide range of high-quality products, but the firm attributes part of its success to the genuine interest that those involved have in the product.

### **Form and Formation Process**

BeltCo Belting have been the sole agent for Conveyors International products in New Zealand since the 1980s. The arrangement continued on the basis of an informal contract. The initial agency relationship was negotiated with the managing director of BeltCo, and the export sales director of Conveyors International. The managing director, previously an engineer in BeltCo, purchased the company and continued the existing agency. Contact was primarily through Conveyors International Australia.

A formal agency agreement was undertaken in 1997 with the understanding that it could be terminated with three months' notice. The relationship between the two firms makes termination an unlikely prospect, however. BeltCo's managing director visited Germany before this contract was finalised. Whilst a formal agreement exists, both firms maintain that there has never been any need to refer to it.

Conveyors International has maintained a policy of owning operations in most countries. This decision was primarily influenced by previous problems with distributors in non-exclusive arrangements. Despite the fact that there are few independent companies in the network, Conveyors International does not hold shares in BeltCo. Both firms recognise that independent operations cannot conform 100% to Conveyors International's requirements; however, no effort is made to acquire an operation where distribution arrangements are adequate and the partner firms are strong.

The size and nature of the NZ market provides both firms with incentives to continue this relationship. While it is not feasible for BeltCo to produce the entire product range that it now accesses, it would also not be worthwhile for Conveyors International to set up operations in a market the size of New Zealand. The advantage to BeltCo has been reinforced by the new structure brought in with the take-over by the Swiss firm, which has resulted in a heavier flow of new products.

Points of contact are divisionalised to increase efficiency. Each division can place an order in Europe, Australia and South East Asia.

### **Partner Selection and Opportunity**

The primary purpose of this relationship is to provide a reliable distribution arrangement for Conveyors International products in the NZ market. BeltCo is considered to be a value-added distributor who provides support and information on the belts and their suitability to local clients.

Major activities in the relationship surround the sale of belts in the NZ market. This was expressed as being important by the interviewees:

“We are solely in the conveyor belt and transmission belt business ... ”  
(C3F1R1INT1)

The belts are manufactured by Conveyors International and are imported ready to process. BeltCo is responsible for sales and marketing, and processing and finishing the belts to suit the needs of local customers. Once the belts are installed, BeltCo offers maintenance services for customers in the NZ market. A joint understanding of key activities appears to provide a focus for the firms. This “concentration on the partner firm’s products” was seen as vital for the success of the relationship.

Conveyors International provides technical support and the marketing material necessary to promote the product. Staff are sent to New Zealand to provide training and support to BeltCo when required. Experts within the firm provide product function and application consultation. Although Singapore is the distribution centre for many Asia-Pacific countries, belt sales and applications support is sourced from head quarters in Europe.

The branch management network within Conveyors International provides BeltCo with specialist support and information regarding the belts and their applications. This liaison is crucial for the effective sale of new or difficult products. Conveyors International is also responsible for product-related information and for the promotion of the products in trade fairs, textile exhibitions and airport application workshops.

Major industry divisions offer a basis for segmentation: food, transportation, airports, warehouses, logistic centres, postal business and meat processors. More simply viewed, the market is divided into original equipment manufacturers and end-users.

Geographically, the relationship concentrates predominantly on the NZ market. Work outside this area is based on associations that BeltCo has. Within the NZ market, BeltCo does not adopt a regional segmentation strategy. Seventy percent of the business is in the Auckland region, but BeltCo also has agents in Waikato, Hawke's Bay, Wellington, Christchurch and Wanganui.

The belting products are divided into three major product-market groups: high-, medium- and low-end quality groups. These categories represent both price divisions and functional differences. Traditionally, the firms have had most experience in the top-end and medium sections of this range. However, competition has forced Conveyors International to move into low-end commodity belts and it is anticipated that the medium range products will be phased out. The commodity belts provide a strong selling point to the top-end market, an area where Conveyors International feels most comfortable.

Conveyors International provides a very high level of technical contribution in all three categories, although of course the experience of the firm is highest in the top-end and medium-quality belts. This contribution and experience level is comparable to that of BeltCo, which has increased substantially during the course of the relationship. BeltCo does, however, offer a higher level of contribution in the NZ market. In a highly competitive market, BeltCo is considered to provide a valuable contribution that has increased over time. While all three categories are important to the relationship, the NZ market is limited for high-end quality belts.

Conveyors International provides a high quality product and a consistent level of service in line with its philosophy that product quality must be given the highest priority. Product quality has been consistent over time and all products comply with relevant quality standards.

### **Relationship Dynamics**

Honesty, trust and loyalty were all associated with partner relations. BeltCo 'trusts Conveyors International implicitly', and the two firms express a sense of 'solidarity'.

This was expressed as follows:



“You asked why we have a good association with Conveyors International ... there is a consistency ... a degree of solidarity.” (C3F1R1INT1)

“We have a good partnership ... we trust them implicitly ... they make me feel very welcome ...” (C3F1R1INT1)

The partner firm also shared these feelings:

“We need partners that can ‘talk the same language’ as we do, we expect a good market coverage ... we expect good service and a good customer relationship ...” (C3F2R1INT1)

“If we get a direct order from somebody ... we always go to BeltCo to inform them ...” (C3F2R1INT1)

“... [the] bottom line is to have people with whom you get along personally ...” (C3F2R2INT1)

In reality the partner firm appeared to place as much importance on ‘good partner relations’ and ‘solidarity’ as they did on achieving profit. These factors were thought to assist in problem-solving and resolving conflict. As one interviewee suggested:

“If these things are ‘given’ then you can easily develop all other things ... if you have a problem ... you can always ... find a solution.” (C3F2R2INT1)

Conveyors International considered similarities in business orientation and strong personal relationships important. However, partner relations were not important to the complete exclusion of other factors. According to one respondent:

“If you have people who understand the business, harder targets will not hurt ...” (C3F2R1INT1)

The cognitive mapping exercise produced results that generally confirmed the comments made by interviewees.. Five of the nine factors included in the maps were comparable, and listed by both interviewees who completed the maps. These included product quality, performance, understanding of markets, extension of product range and partner relations. (These can be seen in Chapter 5 and are discussed further at this point.)

Personal relationships exist between BeltCo's managing director and key people in Conveyors International. The strength of the relationship was tested when a larger NZ company offered to take on exclusive distribution with more attractive terms than the German company was receiving under the existing partnership agreement. Rather than agreeing to, or even considering this proposal, Conveyors International faxed the proposal and a copy of the letter of refusal to BeltCo.

A key factor in this relationship appears to be the fact that BeltCo is an exclusive agency concentrating on Conveyors International products. In addition, there is commitment from both parties to the agency's future. Long-term commitment allows for investment to increase market coverage. The Conveyors International product range continues to increase.

The relationship is evaluated on the extent to which it is viewed as a quality partnership, which continues to be good. The new structure has been beneficial to BeltCo and no change in distribution arrangements are anticipated as a result of the takeover. As one respondent noted:

"Our partnership is still very good. If anything it is stronger ... their new structure has been better for us, so it's not a down thing, it's an up thing." (C3F1R1INT1)

Conveyors International prioritises and visits customers as necessary. Sheer distance precludes regular visits to New Zealand. However, Conveyors International regards BeltCo as its main 'customer' in New Zealand and provides it with excellent customer service. In cases where products have been defective, replacements have been sent out without question.

Any independent orders that Conveyors International receives from the local market are directed back to BeltCo.

Some potential for conflict exists if BeltCo continues to sell in the Australian market where Conveyors International Australia should normally concentrate. In this situation, although BeltCo may make the sale, Conveyors International will be required to uphold the service contract.

### **Managerial Perceptions**

In the market with signs of stagnation, Conveyors International is doing well worldwide and has a strong market share, achieved without acquisition. Conveyors International stands at number one or two in the market, depending on exchange rate and other financial comparisons.

A niche still exists in conveyor belts, but the bulk of the business seems to be moving into commodities, a shift that will require adjustments in the quantities produced. This might be of benefit in the NZ environment where the market for high-end quality belts is limited.

Change in ownership has not affected the relationship between the firms, and Conveyors International continues to be responsible for the operational requirements of this relationship. The new Swiss-based owners appear satisfied with operations, such as those in the United Kingdom and New Zealand that are not wholly owned subsidiaries primarily because of cost and market size. The only anticipated change is the tightening of the payment times previously extended to BeltCo.

Although sales and profit are not at a maximum in New Zealand, Conveyors International considers BeltCo to be an adequate partner doing a good job for the company. According to one respondent:

“[The managing director of BeltCo] understood the importance of product quality and how hard it was to achieve ...” (C3F1R1INT1)

These comments tend to capture the attitude of Conveyors International that:

“All relationships that Conveyors International have are with people who have become close and are known well - they would not have been continued [otherwise].” (C3F2R2INT1)

“It is a very pleasant relationship and everyone is open—though there are some differences of opinion it is always very fair—a pleasure.” (C3F2R1INT1)

It was also thought that the reputation of Conveyors International internationally has helped the relationship. According to one interviewee:

“[BeltCo] is proud to be a member of an international company—has given him the initiative to do a good job in New Zealand.” (C3F2R1INT1)

### Summary

This case demonstrates a *successful collaboration* between two partners of very *different size*. Despite the policy of company ownership in overseas markets, the partner firm has not instituted this in New Zealand. Although size of the NZ market appears to have been a factor in this decision, the relationship between the two firms also seems to have been an important consideration. The *partner firm essentially does not want to ‘upset’* what is a *good working relationship* that satisfactorily achieves designated outcomes.

*Shared objectives, an exclusive agency agreement, emphasis on core activities, and strong partner relations* have contributed to a *focus* within the relationship. These issues are discussed further in Chapter 5 under Theme 1.

#### **CASE 4: HIGHWAY BARRIERS**

#### CASE 4: HIGHWAY BARRIERS

This is an agreement between an American firm that manufactures moveable highway barriers (Barriers International) and the NZ firm that represents these products in Australasia (ConcreteCo). It was characterised by complementary logic, a high use of technology and an international focus in the sampling frame. The relationship continues to exist despite the fact that it has demonstrated poor financial performance.

##### Outcomes

In the view of the managing director of ConcreteCo, major outcomes have included profit and job satisfaction. Job satisfaction is primarily the result of the opportunity to work with a unique product. The acquisition of engineering expertise is an aspect of job satisfaction that has also been important to ConcreteCo. As stated:

“One of the positive benefits is the degree of excellence that registers in the minds of the engineering community ... therefore, enabling you to get jobs that you otherwise could not get.” (C4F1R1INT1)

Overall, it is regarded as an enjoyable relationship and this has been a significant outcome. Profit, however, has not been achieved to its full capacity and is not reflective of the degree of effort that is made in tendering for a job. The key respondent considers it to be an industry where sales can effectively be made only every five years or so.

According to the managing director of ConcreteCo the years of development that has gone into the product is often not visible; consequently, it is a struggle to obtain a return on the initial investment made. Societal recognition for a “job well done” has in part compensated for this, and profit becomes the last outcome because it is the result of a job well done. This relationship provides an example where the achievement of financial performance did not influence collaborative outcomes.

In the three years prior to the barriers being installed, there were 13 deaths and 60 serious injuries—in the nine years since installation, there has not been a single serious injury that could have been due to the barrier. The overseas partner in this relationship did not complete a questionnaire or cognitive map.

### **Strategic Logic**

This collaboration was characterised as exhibiting *complementary logic* by the focal firm in the sampling frame. An in-depth understanding of the case supports this classification. The focal firm services the local market in key activities such as pre-contract feasibility and engineering reports, client liaison and promotional effort, order processing, and testing. They also provide a minimal level of support in research and development. The US firm primarily undertakes research, development and production activities.

The firms acknowledged that there were differences in size between the two partners; however, this was not seen as a major problem. Two factors were suggested to compensate for perceived size differences: “The semi-entrepreneurial nature of both the main characters” and the vision to make the project work even although many thought it could not.

### **Technology**

The adaptation of the concrete barrier system to its use as a movable barrier on the Auckland Harbour Bridge was the focus of this collaboration. The concept of a moveable barrier was first utilised in the US to provide safer construction sites for workers. The increasing congestion on highways, motorways and bridges worldwide has highlighted its usefulness in traffic control and contra-flow creation.

The classification as a high-technology relationship was strengthened by an understanding of the manner in which the existing technology was modified to overcome hurdles associated with its application on the bridge. The significance of this was captured in a comment made by the managing director of ConcreteCo:

“We were all very brave because no-one else had done it in the world on bridges with slopes and curves ... it had only been used on the flat ... so it was the first permanent installation ... in the world ...” (C4F1R1INT1)

### **Geographic Scope**

This relationship was primarily formed to enable the US and NZ firms to collaborate on the Auckland-based project. The agreement did, however, cover a license for the

Australian market as well. At the time of these interviews the focal firm was working on a possible application for the Sydney Harbour Bridge.

## **Context**

### *ConcreteCo*

ConcreteCo started business in 1975 as a precision concrete manufacturer. The key individual is both owner and operator, and has had a number of years' experience in the concrete industry as an engineer. He also acts as a consultant to potential clients.

The business consists of problem-solving activities such as waterproofing and fixing concrete problems. These provide the company with a steady income. Other products, such as the barrier system, are developed alongside the core business.

ConcreteCo has an estimated turnover of around NZ\$5 million.

### *Barriers International Inc*

In 1985 Barriers International developed a concrete barrier that can be moved from lane-to-lane quickly, easily and safely. At the time, Barriers International was manufacturing the product mainly for construction purposes—re-building highways, adding additional lanes and reducing congestion on main highways in the United States.

The product is currently distributed worldwide through various licensee agreements.

Barriers International are estimated to have a turnover of at least US\$50 million and continues to grow in size. It has a large factory outside San Francisco and employs between 30 and 40 people.

### *General*

The movable barrier was designed by an Australian, and was initially utilised in Europe and America. The product and associated technology are patented. The unique nature of the product and its narrow range of applications limit the need for multiple suppliers, especially in a country the size of New Zealand.

The movable barrier consists of two parts: a series of concrete barriers hinged together to form a continuous wall, and a transfer machine that moves the wall. The machine has an internal track. Wheels on the track slide under the barriers on the bridge to move



them. Through this process 1,500 tonnes of concrete is moved 3m four times a day. The barrier device has the ability to transfer the blocks to the exact width of the machine itself. A control marker is contained within the barrier machine and on the road. If the block is not positioned correctly, the machine receives an electronic signal which then allows for self-correction of the barrier. The barrier machine technology and design have advanced considerably in the past few years.

The barriers are used for both safety and traffic control purposes in the United States. The latest application has been in Honolulu, and the Golden Gate Bridge is also a future possibility. The Sydney Harbour Bridge was the first Australian project to be considered. However, this tender was not successful.

### **Form and Formation Process**

The agreement is the result of an initiative taken by the managing director of the NZ firm. The Auckland Harbour Bridge posed a continual accident hazard with many fatalities. Around the time of one such incident, the managing director of ConcreteCo recalled seeing the movable barriers in use on an overseas trip. He had also seen the barriers being manufactured in a pre-cast concrete factory in France.

With this in mind, contact was established with the French firm, which recommended that the managing director of ConcreteCo contact the American licensee regarding the system. The three parties agreed to meet in New Zealand and spend some time discussing the feasibility of the project. The intended application was explained to the owner of the American firm.

The proposal was initially met with some scepticism. The ConcreteCo managing director recalls his first meeting with the managing director of Barriers International:

“I first met this guy down in Vancouver, met him for lunch and he said to his wife after lunch-‘Where is NZ?’-he gave it 1% chance ...” (C4F1R1INT1)

Nevertheless, the two firms agreed to pursue the possibility.

The managing director of Barriers International had been trying to sell the idea in larger cities without success. According to ConcreteCo this only changed once they were able to see the barriers in operation in New Zealand:

“The Californian Transport Authority had been thinking of using it but ... they wanted us to do it first, when they saw that it did work ... they followed suit and it is taking off in the United States and South America.” (C4F1R1INT1)

The decision to work with the American firm was based primarily on ease of communication and the absence of any perceived language problems that may have complicated a relationship with the French company.

A preliminary feasibility study indicated that it was possible to manufacture and install the product on a bridge with slopes. ConcreteCo proposed the idea to the NZ government, and after some time the contract for the harbour bridge was won with Transit NZ. Even though the barrier system had no clear competition, ConcreteCo underwent a tendering process. The government wanted as high a NZ contribution as possible to the final product; consequently, the parts were manufactured in the United States but assembled locally.

ConcreteCo designed the system, manufactured it and then put it in place to operate. With only 12 months to complete the project, the system was installed in 1989. ConcreteCo had only 15 employees at the time and it was one of the company's biggest projects. The installation on the bridge had to be undertaken with a minimum disruption to traffic. The system was put in place overnight, and the centre portion of the bridge was closed to enable installation.

A local company which services many prisons and hospitals won the tender for the systems maintenance. The company also has the painting maintenance contract for the harbour bridge. This essentially means that barrier maintenance and movement can be conducted in between other routine maintenance work.

The Auckland project received a lot of publicity worldwide. This was partly due to the size of New Zealand, and the fact that such an innovative project was being implemented within this environment.

The relationship was formalised through a licensee agreement, and involves a single product focus. It is recognised that the relationship will have to be formalised further to protect the key participants. Procedures have now been put in place to ensure that the families of key individuals are compensated in the event that something might happen to them in the middle of a project.

The Auckland Harbour Bridge was the first permanent installation of its kind. It was a NZ\$5 million project over 10 years ago.

As per their agreement with Barriers International, ConcreteCo receives 5% commission on any projects sold. A slightly higher percentage was received for the Auckland Harbour Bridge because ConcreteCo undertook the entire contract. The original plan was for the American firm to pay ConcreteCo a commission for arranging the deal; however, the NZ company ended up taking a much larger role.

ConcreteCo had to intervene when Barriers International declined to sign a complicated document compiled by Transit NZ or to bill for the project in NZ currency. ConcreteCo accepted the conditions set by Transit NZ in a lengthy agreement. Therefore, the American firm dealt with the NZ firm who in turn dealt with the NZ government.

The rapport between both firms, and the commitment to the product, have been essential factors in the success of the relationship. It has been a situation where both principals share a passion for engineering and the idea that:

“... engineers build things, want things to work well ... and provide infrastructure so that society can function.” (C4F1R1INT1)

The small size of both firms has allowed for a rewarding relationship that may not have been possible if larger firms were collaborating. The enthusiasm and vision of the key partners was complemented by that displayed by the key local government employees in New Zealand.

ConcreteCo continues to act as a representative of Barriers International when trying to secure new projects.

### **Partner Selection and Opportunity**

The key individuals in both Barriers International and ConcreteCo demonstrate a high level of engineering expertise and competence. Barriers International send support staff to work on new accounts when necessary, but ConcreteCo controls follow-up work.

The typical tendering process starts with a preliminary report and engineering study. A pre-contract engineering report and a feasibility study are followed by presentations to potential clients, in many cases local governments and transport authorities.

Once order, design and manufacture have taken place, the product is pre-tested in the United States. Billing is carried out according to a progressive plan relative to completion. All tenders are in the local currency. The supply contract, however, is in American dollars.

Barriers International primarily conducts research and development, manufactures the barriers, and provides the transfer vehicle. ConcreteCo provides promotional and technical sales support with materials supplied by Barriers International. These include brochures, pamphlets, product videos and literature. The system is promoted in conferences and at transport-related meetings. ConcreteCo is least experienced in barrier and transfer vehicle design. Experience levels have to be high in order to maintain the required level of expertise.

Client liaison is also an important function within the sales process. This includes education and advertising in order to build trust with potential clients. When sales of the system are being made, the Auckland Bridge is often used as a visiting site. No compensation is given to ConcreteCo for this service.

A standard project process would involve promotion; research and development; client liaison; a pre-contract engineering report; a feasibility study; order processing; design and manufacture; vehicle design; testing; commissioning; and billing.

The opportunity to develop a high level of engineering expertise in order to promote safety has been a major motivator in the relationship. According to ConcreteCo:

“This is a unique product, usage and unique people – and the key individuals are of the mind that you have to be friends and like each other as well.” (C4F1R1INT1)

The key product markets that are targeted are construction sites, safety and traffic flow control (permanent and fluctuating). Construction site safety is not regarded as so important as traffic flow control, but the contribution of ConcreteCo is greater in the former area.

ConcreteCo currently has the agency for Australia and New Zealand. Australia is, however, more important as a region because of the future growth prospects. ConcreteCo has had a greater contribution within New Zealand. Barriers International is

more involved within the Australian market development and provides at least 50% of the input. The experience of both firms in the region is therefore high.

The Sydney Harbour Bridge was the last major tender in the Australasian region. ConcreteCo carried out at least NZ\$ 100,000 worth of promotion work for this project. The client, the Road Transport Authority of New South Wales, were looking at a 'buy, operate and transfer back' contract over 15 years. The firm undertaking maintenance on the Auckland harbour bridge was also looking at the contract for the Sydney bridge.

ConcreteCo have also examined the possibility of other uses in New Zealand. There is a proposal to use the barrier into St Mary's Bay and through to the city, which would create an extra lane in the middle of the median. Additional prospects include a bridge in Palmerston North and another in Wellington.

The transfer of skills has been crucial within the relationship. This has been achieved because of the nature of the key participants and the contact level achieved between both parties. This continued contact has ensured professional progress.

### **Relationship Dynamics**

The similarities in size of the firms, and the entrepreneurial nature of the key participants, have been crucial in establishing a good relationship. The managing director of Barriers International had a vision that was shared by the managing director of ConcreteCo. The semi-entrepreneurial nature of both participants was regarded as crucial within the relationship, as it allowed the transfer of an innovative engineering vision into reality.

Personal relationships are encouraged at various levels: families of key participants, licensees and employees all interact. The last worldwide licensees' meeting was also beneficial in encouraging cohesion within the network. Key participants felt that this sort of relationship was much more rewarding with the situation where two small companies work together rather than two large ones.

Even though the venture was met with some scepticism, it has proved to be a situation where everyone has enjoyed working together. ConcreteCo believed that the view of the American partner was basically:

“What can this little country down in the bottom of the South Pacific do?”  
(C4F1R1INT1)

This appears to have changed. The most essential ingredient is now considered to be the degree of trust and loyalty present. According to ConcreteCo:

“There is a degree of trust and loyalty which doesn’t have to be written into any contractual agreement.” (C4F1R1INT1)

ConcreteCo regards the transfer of technology, ideas and attitudes as important. The head of Barriers International is hardworking, and ConcreteCo has benefited from access to this knowledge base. ConcreteCo presented the business opportunity, but full recognition is given to the fact that Barriers International possessed the product and the technical knowledge crucial for implementation. The relationship has also provided good cross-cultural contact.

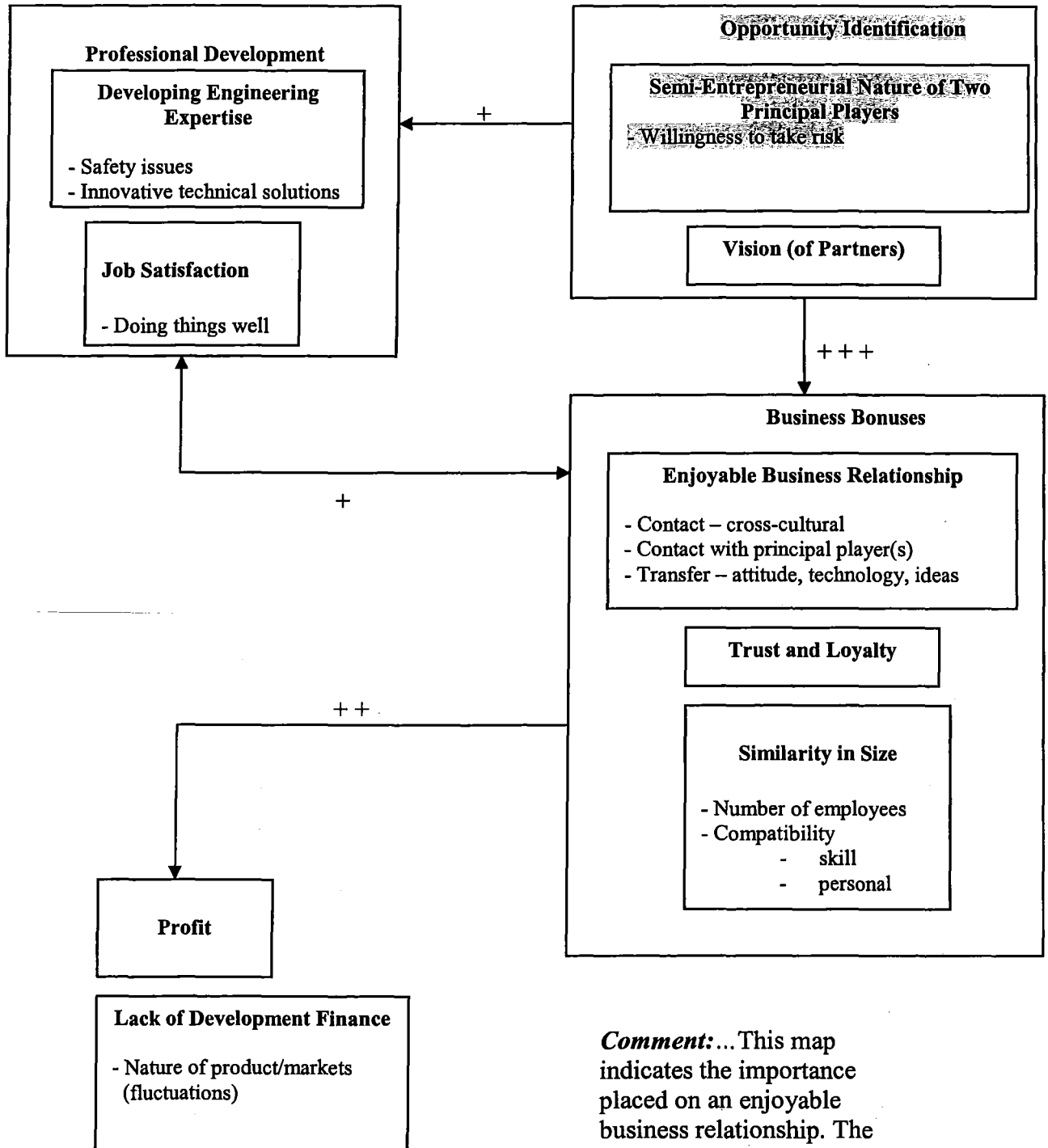
The sole conflict situation was in relation to the Auckland Harbour Bridge. A client request resulting in costs that should have been shared were actually paid for by ConcreteCo. This was resolved and has not affected the relationship negatively.

### **Managerial Perceptions**

It is perceived that as cities run out of land to create and expand the road transport system, the usefulness of the barrier will increase. In most situations the cost of using a barrier would be less than one-sixth to one-eighth the cost of adding a lane.

The key participants regard that an emphasis on relational facets was essential to sustain the collaboration in an environment where sales are few and lead times are lengthy. The emphasis placed on aspects other than financial criteria was reflected in the cognitive map of the ConcreteCo managing director (p.155).

**Figure 4.7: C4F1R1INT1: Focal Firm Highway Barriers**



**Comment:**... This map indicates the importance placed on an enjoyable business relationship. The entrepreneurial nature of key individuals was also important.

It was also felt that that although the concept is saleable at functional levels within government and local government organisations, it often becomes a political decision higher up. The decision to implement the movable barrier solution is complicated by the cost involved and the crucial question: how do you place a dollar value on someone's life?

### Summary

This case demonstrates a collaboration that has been *successful* in terms of *gaining engineering expertise* but has not necessarily met the financial expectations of the focal firm. Despite this, the firm considers that it has (and continues to be) a *valuable association*. In particular, it provided the NZ firm with a higher profile in the NZ market. This case study provides an excellent example of the need for flexible performance measures, as perceptions, expectations and priorities may change in the course of a collaboration. The case also highlights the impact that *requirements of an international partner* can have on the form and formation process of a collaborative agreement. In this instance, the US partner did not wish to enter into or sign a lengthy contract required by the local government. This resulted in the focal firm adopting a larger than anticipated role in the collaboration, and in many ways reflected the differing levels of importance attached to the relationship by the two firms. The *vision, entrepreneurial nature and engineering skills* shared between key individuals appear to have compensated for less than satisfactory profit.



## **CASE 5: CONTAINER SHIPPING**

### **CASE 5: CONTAINER SHIPPING**

This is a consortium/conference of the NZ subsidiaries of several major shipping firms based in the United Kingdom and in Europe. The focus of the group is on facilitating the shipment of cargo between New Zealand and Europe. The relationship is characterised by a low use of technology, an international focus and cumulative logic. It was rated as an above-average relationship in the initial database.

#### **Outcomes**

This collaboration was categorised as displaying above-average performance by the focal firm. Analysis of the case data reveals that the interviewees are divided in their view of collaborative outcomes. Whilst the consortium had met the expectations of some partners, it had not served its purpose for many others. This discrepancy reiterates the value of interviewing all partners and avoiding simplistic performance measures.

Some of the key advantages of the conference were listed as:

- freight rate stability
- frequency
- direct sailing opportunities
- full coverage of origin and destination
- access to experienced personnel.

The conference:

- provides increased efficiency
- decreases operational costs
- helps to maintain a high standard of service.

Control is indicated by such factors as stable rates, service provision and reliability. Ship operator records provide an indication of the extent to which reliability is achieved. Many participants agreed that stabilisation has not been adequately achieved. This was reflected in the ratings provided.

In assessing outcomes, market conditions, competition and rapport between lines are all important. The opportunity to network with other lines was also considered to be important by some interviewees. Inherent in this is an assessment of long-term trends

and reliable market information. Strategic contracts with key customers are also considered important.

Profit, although the responsibility of each line, is influenced by revenue generated by the conference. Revenue is assessed generally and per container; consequently, volumes are considered important. The conference attempts to examine the total market and estimate volumes, but this information is difficult to ascertain. The conference remains aware of the impact that external competition is likely to have on the conference's share of total market potential.

As one interviewee commented:

"Competition should be about choice for the consumer rather than everyone doing the same thing at the same time." (C5F2R1INT1)

Consequently, changing schedules or service patterns might influence the amount of cargo that can be secured. Links are also recognised between external conditions and opportunity costs—"the better the economy, the less you need the conference."

For some members, full participation in the conference and transportation of contract cargo is seen as an important outcome that needs to be achieved. Despite its problems, some interviewees believed that the conference had indeed allowed economies of scale. Comments on the effectiveness of the conference varied; negative comments included:

"The conference is not as effective as it used to be: you essentially have an association and the outsiders—you need to question why the outsider has asked the outsider to come in—they want to stabilise progress ... if you can't get stability you need to question why you are here." (C5F5R1INT1)

"You know, on our service its not really beneficial for us to be involved in this conference ... we don't get any benefit at all, which is really the crux of the conference." (C5F6R1INT1)

"The conference is historic and, in some ways, has probably outlived its purpose when New Zealand was an expensive place to come and it saved operational costs." (C5F6R1INT1)

Other comments were more positive:

“It needs to continue because it is an advantage to everyone—no one line can provide a service without the support of others ... the company’s policy is to stay in the conference ...” (C5F5R1INT1)

“The advantage of being inside the association is that you are providing the customer an improved service—have a better product to sell.” (C5F5R1INT1)

The outcomes listed in Case 5 can be seen in Table 4.8.

### **Strategic Logic**

The conference was characterised as exhibiting *cumulative logic*. However, the lines involved in this conference vary in both size and importance. In this case, the differences in the size and strength of the shipping line has an impact on the space share allocated to that line. This allocation is also based on an historical share of the conference cargo. In this respect the conference members also differed considerably in terms of the experience they had in carrying certain types of cargo. These factors are discussed in greater detail under ‘Partner Selection and Opportunity’.

Some joint understanding of conference activities was evident. The most commonly cited shared activities were rates stability and maintenance of service. The conference was in fact designed to ensure that stability in rates was maintained. The outcome ratings and comments made by the interviewees indicate that this was not always achieved.

### **Technology**

This consortium was rated as involving a low use of technology in the sampling frame. The case data support this. As an industry, however, shipping has been revolutionised by advances in technology over the past 100 years. Some of these changes and their impacts are discussed under ‘Context’.

Table 4.8: Collaborative Outcomes for Case 5

<i>Nature of outcome/objectives</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance</i>	<i>Achievement</i>
<b>Financial criteria</b>				
Partner firm 1	C5 F2 R1 INT1	Profit	5	5
Partner firm 2	C5 F3 R1 INT1	Profit	7	6
Partner firm 3	C5 F4 R2 INT1	Costs decrease	7	7
Partner firm 5*	C5 F7 R1 INT1	Profit	—	—
<b>Sales and revenue criteria</b>				
Partner firm 1	C5 F2 R1 INT1	Amount of cargo	5	6
	C5 F2 R1 INT1	Revenue	7	4
	C5 F2 R2 INT1	Revenue	6.5	5
Partner firm 2	C5 F1 R1 INT1	Volume of business	6	4
Partner firm 3	C5 F4 R2 INT1	Source of income	7	7
Partner firm 4	C5 F6 R1 INT1	Contract cargo	3	2
<b>Market share</b>				
Focal firm	C5 F1 R1 INT1	Market share	7	7
	C5 F1 R2 INT1	Market share	7	4.5
Partner firm 3	C5 F4 R1 INT1	Market share—conf	7	6
	C5 F4 R1 INT1	Market share—total	5	5
<b>Service-related</b>				
Focal firm	C5 F1 R2 INT1	Reliability	6	6
Partner firm 1	C5 F2 R2 INT1	Space utilisation	6.5	6
Partner firm 3	C5 F4 R1 INT1	Customer perceptions	4	5
	C5 F4 R2 INT1	Frequency of service	7	7
Partner firm 5	C5 F7 R1 INT1	Service	—	—
	C5 F7 R1 INT1	Port coverage	—	—
	C5 F7 R1 INT1	Efficiency	—	—
<b>Partner relations</b>				
Focal firm	C5 F1 R1 INT1	Communication	7	5
	C5 F1 R2 INT1	Market conditions	6	4
Partner firm 2	C5 F3 R1 INT1	Networking	6	6
Partner firm 3	C5 F4 R1 INT1	Internal relations	4	4
Partner firm 5	C5 F7 R1 INT1	Relationship and coordination	—	—
<b>Competition</b>				
Focal firm	C5 F1 R1 INT1	Stable environment	6	4
	C5 F1 R2 INT1	Competition	7	6
Partner firm 1	C5 F2 R1 INT1	Benefits vs. alternatives	4	6
	C5 F2 R2 INT1	Stability	5.5	6.5
Partner firm 3	C5 F4 R1 INT1	Rates stability	7	5
Partner firm 5	C7 F1 R1 INT1	Rates	—	—

**Notes:**

\* Partner firm 5 did not wish to rate objectives that were listed in the structured questionnaire

## **Geographic Scope**

This conference involves contact among local offices of various international shipping firms. The conference agreement was, however, signed among the head offices of these lines overseas. The distinction between what is required in the local market and the strategic intent of the overseas principals is evident throughout this case study. In effect, this has created a relationship that no longer meets the requirements of all local participants but is continued because of the strategic concerns of their international head offices. This discrepancy is explored further in Chapter 6 at section 6.2.2.

## **Context**

### *General Industry*

The first known shipping conference of this kind began with informal discussions over a hundred years ago. This shipping association has been operating since 1933. These later progressed to an examination of rates of freight and combining services with the aim of maximising revenue and stabilising business. Competition and domestic priorities have resulted in a further refocusing and a decreased role for the conference.

This association began with many of the British-owned shipping lines, and has functioned over a number of years under different forms and names. Much of the joint business was initially conducted without formalised agreements. There was no major legislation governing these actions. By the 1960s more regulations came into effect. Legislation in New Zealand, Australia and Europe has also had an influence on the nature of operations permitted by the conference.

Two major factors have revolutionised the shipping industry, and affected the general trade environment and relationships between competitors.<sup>2</sup> First, the development of large steamships affected the amount of cargo that could be carried. Secondly, advances in cargo-handling technology resulted in containerisation. The shipping trade has, on the whole, become more competitive as a result of these changes.

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<sup>2</sup> For a detailed examination of the changes in the industry, see: Gilman, Sidney (1983), *The Competitive Dynamics of Container Shipping*, Gower Publishing Limited: England.

Containerisation was a major development within the shipping industry in the last century. This, coupled with increased competition, has resulted in a greater emphasis on efficiencies.

A key factor in these changes has been the increase in relay operators who are now able to offer services into New Zealand and Australia using the hubbing concept in Hong Kong and Singapore. Relaying through hubs in Singapore and Hong Kong has decreased the importance of conferences. There is increasing pressure for the direct operators to compete with the relay operators who, according to one interviewee, “claim to be providing a better service and therefore should be charging more”.

Through this process, the cargo is loaded on a ship destined for Hong Kong or Singapore and then gets reloaded on another ship travelling to New Zealand or Australia. This transfer could be onto another ship owned by the liner or that of a competitor (termed ‘trans-shipment’). The trans-shipment concept has only been readily accepted in the industry over the past five to six years. The opportunity cost for each liner providing the full service or ‘piggy-backing’ is assessed on individual requirements.

NZ trade is critical to the overall business within the New Zealand-to-Europe trade. The dependence on reefer (ie, goods requiring refrigeration) cargo northbound<sup>3</sup> has, however, been a key issue: refrigerated cargo was moved in one direction, but the same amount of space was not required for the return journey. The main competitive factor in northbound shipping has been servicing the core-reefer-adequately.

The distinction between dry and reefer cargo is important from both functional and commercial perspectives. The reefer-cargo carrying requirements entail refrigeration and are associated with higher rates. Refrigerated cargo also requires special handling. Before the advent of containers, reefer ships were equipped with power plants for cooling. Containers had portholes to allow for the flow of cool air and provided more efficient and cheaper transportation technology.

The customer packs the bulk of cargo leaving New Zealand in container loads at source. Once the containers have reached their destination, the customer decides whether they

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<sup>3</sup> ‘Northbound’ refers to movement of goods from New Zealand to destinations in the United Kingdom, Europe and Scandinavia.

wish the shipping company to be involved any further. The services of a freight forwarder may be used at this time.

General business trends and economic conditions are also a major concern to the conference. Trade patterns inevitably affect the amount of cargo transported globally. A recent example of these fluctuations was created with the Asian economic crisis. Exports from the region to Europe increased substantially; at the same time, imports into Asian markets decreased because of a decline in buying power. Competing firms began selling space cheaply, which affected the revenue of the conference considerably. Essentially, the activities of competitors destabilised any efforts to obtain an increase in rates and created a downward spiral.<sup>4</sup>

Whilst conferences were strengthened by the advent of containerisation, they have also served to lower the barriers to entry within the industry. New players in the market are able to lease containers and enter trade with minimal industry knowledge. On average about 75% of containers are owned, while the remaining 25% are leased.<sup>5</sup> The containers can be leased for one trip or for up to five years. Typically, the leased containers are returned when trade declines. Some firms also offer one-way lease options, in which case rates include a drop-off charge. International trade booms would result in increased demand for containers and ships—both can be leased. Long-term market trends may also result in reconsideration of liner routes. Containerisation has also meant that one company's ship may be carrying containers from a number of liners.

Government policy has also played a role in the development of the conference. This form of association was against US anti-trust law, and the Federal Maritime Commission was in charge of policing liner trades out of America. The legislation did not allow rationalisation of tonnage. The New Zealand and European commerce commissions were not as concerned about the competition. This stance is changing, with the European Commerce Commission in particular taking a greater interest in trade practices.

There are no NZ-based lines. All the shipping lines in New Zealand are either regional offices or agents.

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<sup>4</sup> The rate-setting process within the conference is discussed under 'Partner Selection and Opportunity'.

<sup>5</sup> These estimations are based on opinions expressed by the interviewees.



Contracts for transportation tend to be viewed as long-term commitments, with few customers entering short-term agreements.

Freight rates have reached an all-time low, both north- and southbound. Key managers recognise the importance of addressing this issue: “... focus must be on increasing rates to more realistic levels”.

Another key effect of the conference has been to ensure that lines are more likely to operate close to capacity. This has also served to decrease freight rates.

One interviewee summarised the current environment:

“The market around us has changed—there is a lot more competition and improved services but there are also a lot more opportunities.” (C5F5R1INT1)

While many lines serve in the New Zealand-to-Europe trade, two large firms continue to operate outside the conference and are estimated to hold at least 20% of the total market for northbound shipping. A number of small independent operators come direct to New Zealand and provide a fast service, securing a reasonable amount of business. Firms external to the conference do not have any comparable arrangements in this trade lane.

### *Conference Members*

The conference initially functioned on a complex pooling arrangement. Each firm was required to declare the amount of cargo carried to other conference members; any deviation from their allocated quota was penalised. Members were allocated a share of the conference market based on their historical volume of trade.

At the time of these interviews, the conference consisted of seven members. The largest of these lines was also the main organisation behind the conference. Changing priorities have resulted in various modifications to the conference composition over time.

The conference members have been in the NZ market for varying lengths of time. They are lines with head offices in the United Kingdom, Europe and Scandinavia.

Whilst the majority of firms have offices in New Zealand and report to international head offices, other lines are represented by local agents. Those who have adopted ownership in the NZ market have done so either to maintain control over their local

operations or to promote a local identity. In one case a local agent represents two international conference members. Most agencies work within defined parameters and receive 5–6% on gross freight receipts for exports. This figure is slightly lower for imports.

Many of the lines have considerable experience and established customer relationships, which allow them to adapt to changes in the industry. Two firms appear to dominate in the New Zealand-to-Europe trade.

In an effort to achieve economies of scale, many of the participants have closed regional offices in Wellington and other major NZ centres.

Some conference members are also involved in separate bilateral trade agreements with each other.

#### *The Conference Secretariat*

A general secretary facilitates the conference administration. This role is conducted from the secretariat office. In its initial stages, the secretariat possessed a large degree of control over the conference. This office traditionally functioned in a liaison role between the various lines. Changing legislation in many countries has, however, made issues such as documentation far more complicated for the Secretariat. For example, individualised statistics examining container loadings and shipments produced by the ports are no longer available.

In New Zealand, the secretariat office was based in Wellington for two main reasons: to allow easy access to the head offices of many conference lines and to enable easy negotiation with the large producer boards for cargo. These coordination and space allocation functions were traditionally carried out by the secretariat.

A UK-based secretariat office controls the conference administration from Europe. The Australian and NZ conferences used to be separated for administrative purposes within this organisation. Separation was necessary to manage the complex conference arrangements that were previously in place. This is no longer the case, and these organisations were combined in the late 1980s. The 50 employees in the UK secretariat have now been reduced to seven.

Currently, each line sends individual data to the NZ secretariat, who then compiles aggregated statistics for circulation among the conference members. Overall, the role of the secretariat has decreased, and the individual lines have assumed responsibility for marketing and space allocation within the conference.

Moreover, the producer boards no longer have the influence that they had many years ago. Individual operators are now also pursuing negotiations with producer boards, formerly conducted by the secretariat. Major lines and ship owners are adopting a global perspective to trade. This has been reflected in the changing nature of the conference and the decreased role of the secretariat.

### **Form and Formation Process**

The characteristics of the market and the individual needs of the shipping lines motivated this conference. A key aim was to decrease competition among the lines. The largest of the current members was the primary initiator in the conference's formalisation.

The conference precludes members from dealing with other lines in certain trading routes. In essence, the conference members are actually functioning on exclusive contracts.

Strength of traditional exports from New Zealand-to-Europe, such as lamb and cheese, required a specialised investment in hardware and vessels. This large commitment also served to encourage a high degree of loyalty among the members. In addition, not all partners are accorded the right to transfer reefer and refrigerated cargo. The larger lines in the group also conduct the majority of negotiations with the producer boards in meat, dairy and fishing.

A heads of agreement document, a trade participants agreement (TPA), and general rules of membership govern the conference. The TPA document was formulated at the principal's level in Europe and a general contract was signed by the principals in the United Kingdom. The contract outlines each shipping line's share of trade calculated on its historical share of the market, indicates the maximum level of participation, and sets out member rights. Space allocations are determined between the lines. At the end of the year each participant consults the TPA to ascertain any discrepancies between the

allocated shares and actual trade. Violation of the trade share results in minor penalties. The secretariat offices in Wellington and the United Kingdom control these. The TPA document encourages the partners to adopt a long-term approach to the collaboration, with the result of controlled growth.

Percentage allocations are reviewed periodically, and are often increased or decreased after this assessment. Customer switching between the participants is often reflected in changing percentages within the TPA.

The restrictions on carrying certain types of cargo represent an opportunity that the line has foregone to participate in the conference. An increase in cargo allocation to an individual line reduces the opportunity cost.

There are various levels of management within the conference management structure: the principals level, the commercial/trade manager, and the management committee. A pricing committee is also in place, which is handled by a freight expert. The conference-level meetings are the main meetings of the conference, and a chairman from the largest member governs these. The principals committee meets only twice a year.

Most of the lines have both a commercial manager and a trade manager. The commercial manager controls most of the overall policy, while the trade manager is responsible for the day-to-day activities in a particular area of expertise. Each line has a designated contact person who liaises between conference members, the secretariat and the line's head office. The commercial managers of each line are involved in the conference-level meetings. Regular meetings are conducted, and are alternated between Auckland and Wellington.

The secretariat was originally designed to play a large strategic policy and decision-making role. At that time, refrigerated cargo came through the secretariat to be booked and allocated. The producer boards would then be approached for their export entitlements before final allocations were made on the basis of trade shares. While this is no longer the case, the office still performs an important coordinating role between the lines. It is involved in the transportation and the actual overseas shipping.

The secretariat also carries out all work involved in the conference committees and often liaises with the major partner in preparing documentation. A conference secretary

collates statistics and maintains freight rates based on the decision of the lines. The secretariat provides an important neutral stance within the conference, and maintains the shipping history of the lines. The secretariat is supported through fees levied to the members on the basis of their trade allocations. The cost of running the secretariat association is divided based on the market shares of individual lines, and is adjusted according to volumes of business.

The conference ensures that a weekly service is maintained. Without the conference, participants believe that scale efficiencies might have restricted the frequency of the service and scheduling.

Set rates of freight are designed into the conference, but interviewees felt that internal competition often means that these tariffs are not always adhered to. Standard tariffs are negotiated each year and are renewed by the conference lines. Reviews are conducted to ensure that standards are maintained and are aligned to the contract negotiations. All conference members participate in these negotiations, regardless of size.

While internal competition is discouraged, there are no effective mechanisms to police this adequately. There are also no formal mechanisms to enable the dismissal of a conference member.

All dealings are relayed through to the individual line's head office and to the shipping offices in Wellington and the United Kingdom. Complicated schedules, hubbing and trade lane stops require some planning to be conducted in Europe.

While this conference covers the New Zealand-to-Europe trade, the same ships service Australia and so many Australian trade practice requirements need to be met.

Decisions regarding participation are the responsibility of the conference lines. Membership is voluntary and there is no enforcement or obligation. Initial membership (up to 15 lines) made considerable business sense. External lines gain entry to the conference by dropping freight rates and buying market share. This action by competitors affects the revenue within the conference and creates a decrease in the overall freight rates charged.

### **Partner Selection and Opportunity**

The conference is a long-term agreement. Each partner has predetermined space rights on member vessels. The conference agrees to charge common tariffs, maintain comparable service levels and offer customers similar contractual conditions. The major motivation is to provide the best possible service to and from Europe and New Zealand by combining resources and creating efficient patterns of service. The conference aims to stabilise the market and minimise the negative effects of competition and competitive pricing. Open competition has, in the past, driven revenues so low that lines have been forced to consider the viability of operating in this trade lane.

A key advantage in joining the conference was the access to certain designated trade and contract cargo not available to external competitors. The major disadvantage was the decreased freedom in rates-setting and administration.

The main tasks conducted in the relationship include annual rate adjustments, price-setting and volume allocations. The placement of containers on ships is regarded as a strategic activity that requires planning – hazardous cargo, refrigerated goods or heavy cargo need to be situated on certain parts of the ship. This requires some consideration of where the ship is headed and what route it is taking. In addition, the conference aims to undertake pricing issues and produce joint statistics. Pricing is undertaken locally by the representatives of each conference line. The firms also participate in trade forums and contribute to any important announcements that might be of interest to key customers. Tariff and tariff maintenance is also considered important.

Functionally, the basic activities include booking cargo, obtaining containers and transporting cargo to the wharf, loading cargo on to the ship, transporting cargo to its destination and unloading it. Container-sharing, agency agreements and communication are all a part of these activities.

The agreement offers economies of scale and allows the firms to rationalise the service, resources and revenue. Vessels that are now operating in this trade lane are more likely to function close to capacity. Ultimately, the agreement has allowed some firms the opportunity to access trade lanes that were previously not travelled. This has increased coverage and provided some guaranteed cargo.

Some interviewees commented that the conference was particularly beneficial in a country the size of New Zealand, where it would be difficult to ensure a large number of competitive services and felt that there is truly “only enough volume to support one direct service.”

In an effort to maintain freight rates, external lines are invited to join the conference from time to time. This, in effect, reduces the threat of non-conference lines. As one interviewee commented:

“If you have a company that is carrying in and out of an area, they can either be a nuisance or assistance—depends how you look at it.” (C5F5R1INT1)

While some members supply vessels for the use of the conference, others buy space and provide containers but do not contribute with ships. For certain members the absence of vessel placement in this trade lane reflects a strategic policy, and their focus is on other ‘more lucrative’ trade lanes.

Although most partners in this conference operate in the container market, one line continues to specialise in carrying goods that are outside container dimensions. Participants in the conference have differing strategies in the NZ market, and these are often based on the requirements of head office to meet global considerations. While some adopt a niche strategy and focus on certain areas or products, others appear to adopt a strong growth and expansion stance. A recognised concern in pursuing a niche strategy is the economic impact of losing a customer.

Geographically, the relationship covers New Zealand, Europe, Australia and some of the Mediterranean countries. All of the regions are important to the relationship, but the United Kingdom and Europe remain the most crucial. A meaningful distinction is made between northbound and southbound cargo. The emphasis in terms of market and revenue is Australia southbound and New Zealand northbound. Auckland represents a major loading port for dry cargo.

The presence of the partners varies in the destinations covered by the relationship. In addition, some lines operate only northbound or only southbound, whereas others operate an around-the-world service. The two larger firms in the conference have a high contribution and level of experience in all regions. Some lines have restricted rights for

lifting in certain areas, and therefore contribution is often based on predetermined trade allocations. While both contribution and experience vary, the nature of providing a joint service ensures some comparability between the lines. Each individual line would perceive their own contribution based on the criteria considered important to them.

The basic product categorisation within the conference is the distinction made between dry and reefer cargo. The United Kingdom is the biggest market for reefer cargo such as butter and meat. They also represent the largest destination of other refrigerated cargo, such as dairy products and apples. Further divisions are created on the basis of negotiations that have to be undertaken with exporters and loading requirements. Participant comments indicated that reefer cargo was more important in this trade lane. General classifications might also include animal by-products, personal effects, freight-all-kinds, and ad hoc. Other large local export customers also represent a substantial share of the trade.

The contribution of each firm to the product categories varies considerably. Trade allocations aside, these distinctions are on the basis of historical contractual relationships with customers. The conference was originally contracted to carry a large portion of the northbound New Zealand export cargo. Imports are also very important to the NZ trade because they allow the return of reefer containers. Many contracts that were previously conducted by the conference are no longer exclusive, to aid this movement.

One rate is applied throughout the year. Seasonal rates are not calculated. Northbound and southbound rates differ. Rates are more specific for northbound, and a figure is set for the reefer cargo by agreement. Northbound rates are seen as more lucrative and so gaining contracts for this product group is often a focus.

The conference also operates a slot-sharing agreement. Each container is one slot on a ship—member lines have the right to request use of vacant slots.

In most years the conference lifts between 150,000–160,000 containers each year.

### **Relationship Dynamics**

Internal competition exists within the conference and continues to grow. The partners have, however, recognised that competitive rates have reached unsupportable levels and



need to be reassessed. The conference has created an interesting relationship of collaboration vs. competition. As one interviewee commented:

“Even though we are all in a collaborative agreement we are still in competition ... [and] there is a reluctance to divulge too much commercial information within the conference.” (C5F5R1INT1)

A competition action committee was formed, with senior representatives from all of the shipping lines within the conference.

Good communication between organisations is seen as important in the relationship, and direct communication between the lines is encouraged. A certain degree of openness and discussion was also considered to be necessary to maintain revenue.

The conference meetings allow for the discussion of such issues as pricing and rates. Imbalances in trade shares are not reflected in any line's ability to participate in this consultative process. As mentioned earlier, meetings are alternated between Wellington and Auckland. However, many of the smaller participants are not regular attendees, and believe their own influence to be minimal:

“There are certainly lines that have more voice than others.” (C5F2R2INT1)

The strength of the main conference participants and their commitment to the conference are thought to have influenced its success. Internal factors which contribute to the level of commitment that each firm demonstrates are their aspirations and philosophies. These have varied between the members. Traditionally, the secretariat would have also had an influence on internal relationships.

Breaches to the TPA are dealt with at the conference level and the trade share allocations are consulted. Any activities that may be detrimental to the interests of the conference are considered. Conflict created by solicitation of other lines' clients would also be addressed at this forum.

Although the nature of the conference is designed to encourage transparency among the activities of members, this is not always the case. Internal competition continues, and lines are undercutting freights to match external competition. These actions have created some rates instability.

Many participants expressed concerns regarding the level of trust that was prevalent among the partners. These were both positive and negative:

“Market mechanism is governed by trust, pricing and market share; trust is fundamental to the ability to control pricing and ... to ensure everyone is ‘selling’ similar products.” (C5F1R2INT1)

“The ability to consult each other and the level of trust between the lines is important.” (C5F1R2INT1)

“[We] are only a member for historical reasons; the others who were already in the conference treat us like outsiders—a bit of lack of trust.” (C5F6R1INT1)

Some interviewees indicated their believe that, while trust was important, the conference no longer functioned as it used to:

“There is not the level of co-operation, trust and control that there used to be—maybe due to lack of cargo or [to] customer pressures.” (C5F3R1INT1)

The effect of non-conference competition was believed to cause fragmentation, and decreases in the market were thought to render the conference irrelevant—“it no longer makes sense to control a significant share of the market”. This would appear to hold true in a decreasing market.

Relationships, good service through teamwork, and co-operation are seen to be key factors within the conference. Despite changes in the environment, some participants expressed the view that the relationship between the partners had not changed.

### **Managerial Perceptions**

The conference continues to exist in spite of the mixed views of its members. The dominant feeling was that, although many members did not want it to continue, the conference was a necessity. Others argued that changing global and competitive forces would influence the existence of the conference:

“Times are changing, the influence of the conference is waning ... there a greater move to global carriers ... there are legislative pressures and ... there is also the growing power of multinational shippers with various takeovers and mergers.” (C5F2R2INT1)

“It is an interesting conference – it is still one of the more effective ones in the world – conferences in general are more under attack with legislation especially in Europe and the US.” (C5F4R1INT1)

The fact that competitors are collaborating remains:

“We are, like it or not, competitors within the conference structure.” (C5F7R1INT1)

“The market wants to see competition and competitive rates of freight; although we are conference partners and ‘we talk turkey’ there are certain cargo mixes where independent action is necessary to retain a percentage of the market.” (C5F7R1INT1)

With competitive considerations and a decline in business, many lines are reassessing the type of structure required to service customers. Participants predicted major changes in the economies of shipping, freight and the around-the-world service.

Despite reservations, most participants expressed the view that the relationship would continue:

“I genuinely believe that New Zealand gets enormous benefit from the conference.” (C5F4R1INT1)

Ultimately, however, the future of the conference is not in the hands of the New Zealand partners:

“We are servants of our principals and it is their policy to be a member of that alliance and that is what we have got to sell.” (C5F7R1INT1)

“Aspirations and [the] philosophy of the lines can be heavily influenced by the people involved and the strategy driving down from above ...” (C5F4R1INT1)

The conference direction appears to be influenced not only by competitive and environmental factors, but also by the global strategy of the shipping line principals. This conference is undoubtedly only part of a network of relationships among shipping companies, and its function and future depends on many aspects of global strategy.

The cognitive maps also demonstrated the often diverse views of participants. Only four factors were shared by the majority of interviewees within the eight maps completed—reliability, trust, revenue and external factors.

**Summary**

Even though the firms *collaborate*, there is still *fierce competition* and the lines continue to present an independent face to the public. The interviewees demonstrate *mixed views* on *objectives*, *partner relations*, *trust* and *commitment* to the relationship, and efforts to decrease competition within the conference have not been entirely successful. Many do not support the conference's purpose and believe that the same objectives could be achieved by single lines. The most important influence within this conference appears to be the *requirement of overseas principals* that the consortium arrangement continues. This consortium is, in many ways, part of an *overall global strategy* of many major shipping lines. This issue is explored further at section 6.2.2.

## **CASE 6: TRAINING VIDEOS**

### CASE 6: TRAINING VIDEOS

This was a contractual relationship between a New Zealand corporate training company (TrainingCo) and a video company based in London (Resources International). The New Zealand firm was previously given exclusive distribution rights for the London-based firm's products in the NZ market. The relationship was characterised by complementary logic, a low use of technology and an international focus. The relationship has not been successful and was classified as exhibiting below-average performance in the sampling frame. The contract was terminated soon after these interviews were conducted.

#### Outcomes

This relationship was categorised by the focal firm as a low performer in the questionnaire used to develop the sampling frame. The case data support this view. Table 4.9 provides a detailed overview of collaborative outcomes listed by the interviewees.

Interestingly, the interviews showed conflicting opinions on TrainingCo's collaborative outcomes. While some held the view that they were performing well considering NZ market conditions, others thought that TrainingCo should in fact be doing better on a per-capita basis. In assessing the relationship, Resources International examined the partner firm's ability to grow the market and provide an income from royalties. An important factor was the comparison of revenue growth against costs. Revenue generated per capita was also examined. Other factors that were considered include revenue comparisons of video rentals and purchases, uptake of new titles, client liaison and the development of new media.

The decision to discontinue the relationship with TrainingCo was based on historical non-payment of royalties in both Australia and New Zealand. Resources International concluded that it was difficult to make money in New Zealand and Australia, as these were small markets which still needed a high level of infrastructure and high overheads. The geographic spread of the population in both Australia and New Zealand was thought to be a contributing factor to the high marketing expenditure.

Table 4.9: Collaborative Outcomes for Case 6

<i>Nature of outcome/ objectives</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance*</i>	<i>Achievement</i>
<b>Financial criteria</b>				
Focal firm	C6 F1 R1 INT1	Forecasted profit	7	1
Partner firm	C6 F2 R1 INT1	Performance criteria	7	2.5
<b>Sales/Revenue criteria</b>				
Focal firm	C6 F1 R1 INT1	Turnover	5	5
Partner firm	C6 F2 R2 INT1	Royalty income	7	3
	C6 F2 R2 INT1	Revenue per capita	4	5
<b>Market share and related</b>				
Focal firm	C6 F1 R1 INT1	Image	6	4
Partner firm	C6 F2 R1 INT1	Up-take of new titles	4	5
	C6 F2 R2 INT1	Growing the market	5	5
<b>Partner relations</b>				
Focal firm N/A	–	–	–	–
Partner firm	C6 F2 R1 INT1	Building relationships	4	3.5

Resources International signed a contract with the new distributor in April 1999. The period through to June 1999 was non-exclusive; TrainingCo was to cease selling Resources International products on the 1 July 1999. With the collapse of the relationship, TrainingCo recognised that no one company could replace what Resources International provided. It was expected that TrainingCo would hold only up to 50% of the existing business. The newly appointed distributor was, at the time, increasing prices, a move which TrainingCo felt would help it to maintain its own sales in the short term.

Strategic Logic

In the sampling frame, this relationship was categorised as exhibiting *complementary logic* based on answers provided in the original questionnaire by the focal firm. Interview data and an understanding of the partners support this. The NZ firm primarily acts as a distributor for the partner firms training resources. It does not have the capability to substitute the contribution of its partner. The partner firm recognises the value of the focal firm’s local knowledge and its ability to distribute in the NZ market. The interviewees appeared to agree on at least two core collaborative activities. A summary of activity ratings can be seen in Table 4.10.

Table 4.10: Activity and Experience Ratings for Case 6

Activities	Importance		Contribution (%)		Experience			
	Focal	Partner	Focal	Partner	Focal		Partner	
Video distribution	6	7	100	50	7	7	4	7
Marketing	6	6.5	70	80	7	7	4.5	7

Technology

The core collaborative activity involves the distribution of training resources. As such, this relationship involves a low level of technology. The product itself and its use, however, are influenced by technological trends. Some of these issues will be discussed later in the case study.

Geographic Scope

The agreement between the two partners covered distribution within the New Zealand market. The partner firm was based overseas, and so this was an international relationship.

Context

*General and Industry-related*

The training video market is continually evolving and changing. According to one interviewee, globally the training video market has shrunk by at least 30% in the past few years. The market product price is also estimated to have shrunk by approximately 45%. In the global market for training videos, 70% are estimated to have originated from the United States. The other major player, the United Kingdom, only accounts for another 20%.

New Zealand has traditionally been considered an attractive market for videos produced in the United Kingdom, as New Zealanders generally prefer British to American training. The ability to maintain an income stream off products from the United Kingdom has, however, been affected by the decreased number of videos being produced by Resources International.

According to the interviewees, the NZ market has demonstrated marked differences from training markets globally. These differences appear, in part, to be attributable to



the size of NZ firms and to consumption patterns. Many local firms are not willing to purchase training videos, preferring a rental option. The average size of NZ firms means that the video can be shown to most staff from one rental; the purchase option is far more efficient in countries where the company size is far greater. At the time of these interviews, a rental cost approximately NZ\$250 for two days, as opposed to NZ\$1,500 for a purchase.

The copying of videos is also a recognised problem. Although videos are fitted with technology designed to prevent copying, many institutions can circumvent this. Pirating appears to be a major problem in many educational institutions.

The UK market is generally considered to be more advanced than those of New Zealand and Australia, but not as advanced as the American market. Market trends indicate a move away from videos to CD-R based training products, and the internet. It is felt that band-width issues will determine the extent to which internet-based training captures a large share of the market. Nevertheless, the training industry appears to be characterised by a general move to multi-media.

A key factor determining the uptake of training in general appears to be the economic climate, both globally and locally. Consequently, significant fluctuations have been experienced in the NZ market for training. A shift in economic climate could also result in a change in delivery methods or account for a fluctuation in the rental:sales patterns in a local market. No single industry appears to dominate the purchase of training. The United Kingdom, as some interviewees pointed out, is renowned for slow adoption of technology.

Training videos tend to use well-known actors. Although the British market finds the use of actors an advantage, some personalities are not as popular as they were some years ago.

One unchanging factor, however, is that most employees need some form of training during their career. According to the managing director of TrainingCo:

“[The] best employees fit only 5% of the population; the rest need some form of training and development.” (C6F1R1INT1)

Despite the undeniable inter-personal differences encountered in this relationship, there also appear to have been important changes in the video training market that have not been adequately dealt with. This was reflected in the cognitive maps, where all the participants listed general industry trends, growing the market and income/performance as important. The individual maps can be seen on p.183-185.

### *TrainingCo*

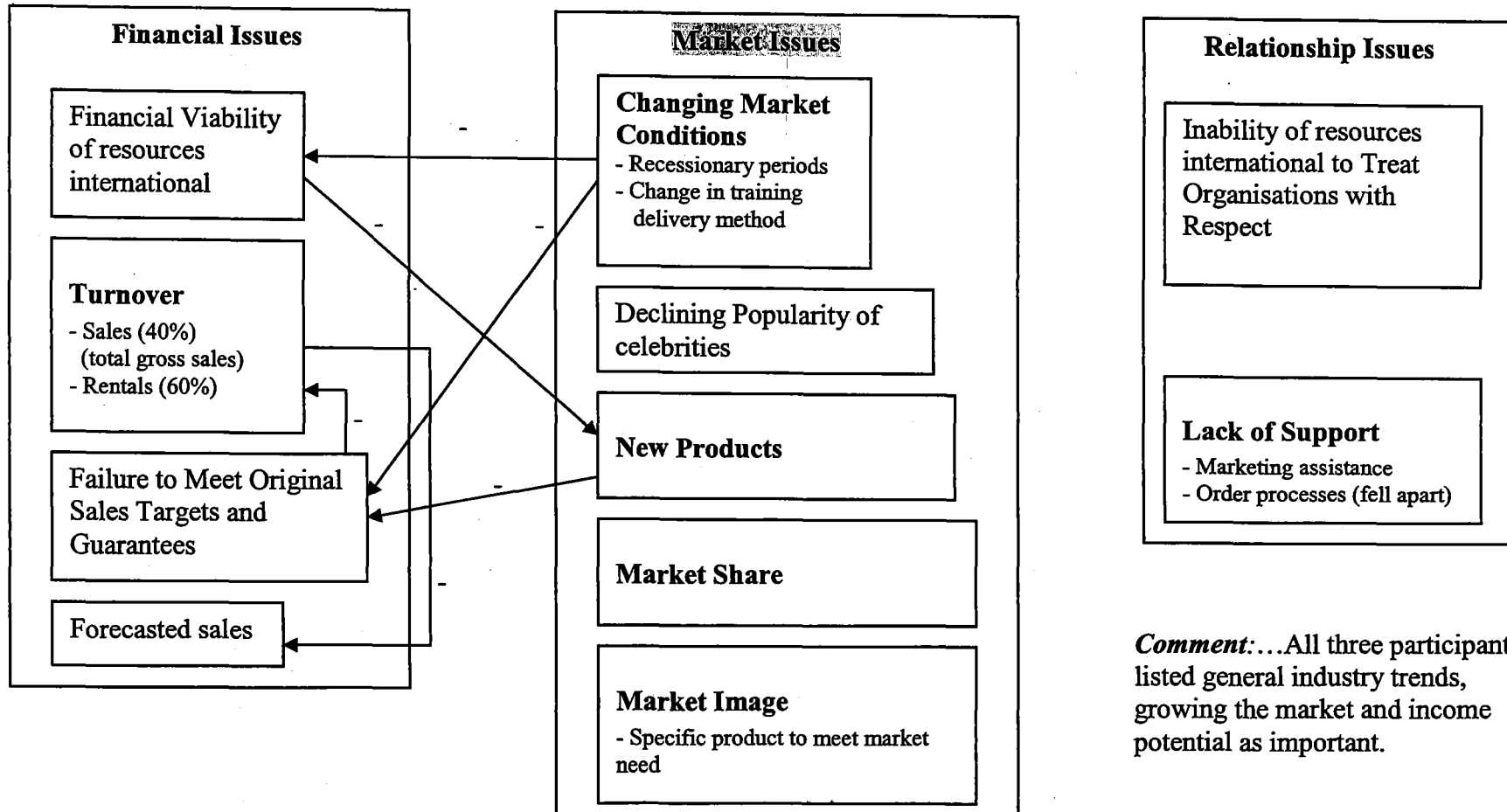
TrainingCo was founded in 1962. It has remained a family-owned business for two generations. The firm's primary activity in the 1960s was the delivery of training resources. The mode of delivery has varied over time. It functioned as a live-programme, consulting and resource business in the 1960s and 1970s. By the 1980s it had become a pure training resource company, with 95% of its training provided through videos.

TrainingCo opened a branch in Australia in 1970. During the 1980s it operated successfully in New Zealand but was not successful in the Australian market. The Australian business was consequently sold. TrainingCo continued to operate another company in Australia that only sold training manuals.

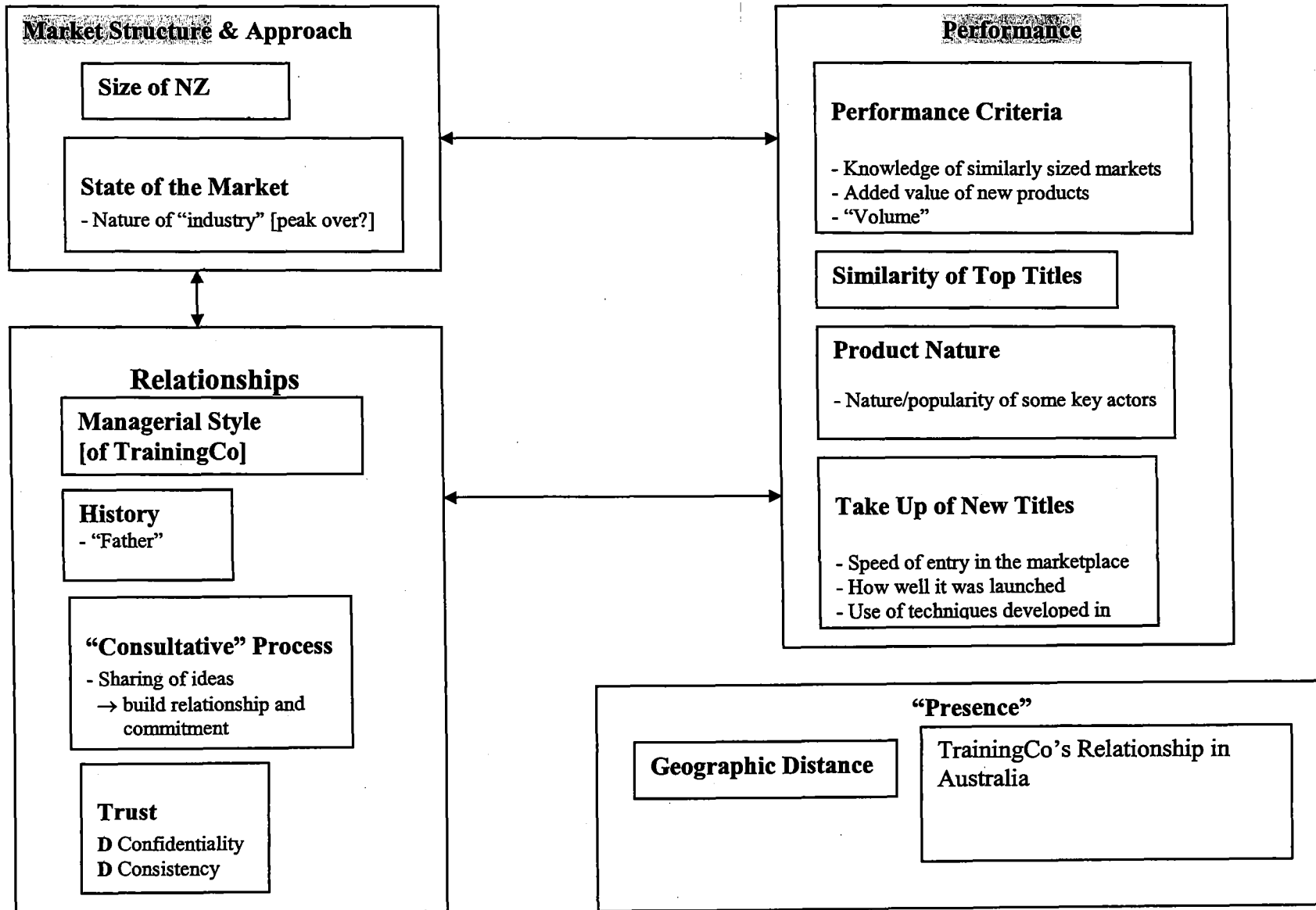
The company experienced fierce competition in both markets from the Training Resource Company. The two firms merged in 1991, resulting in a less competitive market and a stronger business. This action improved TrainingCo's cost-efficiency.

In 1989 the Australian business was sold to two investors.

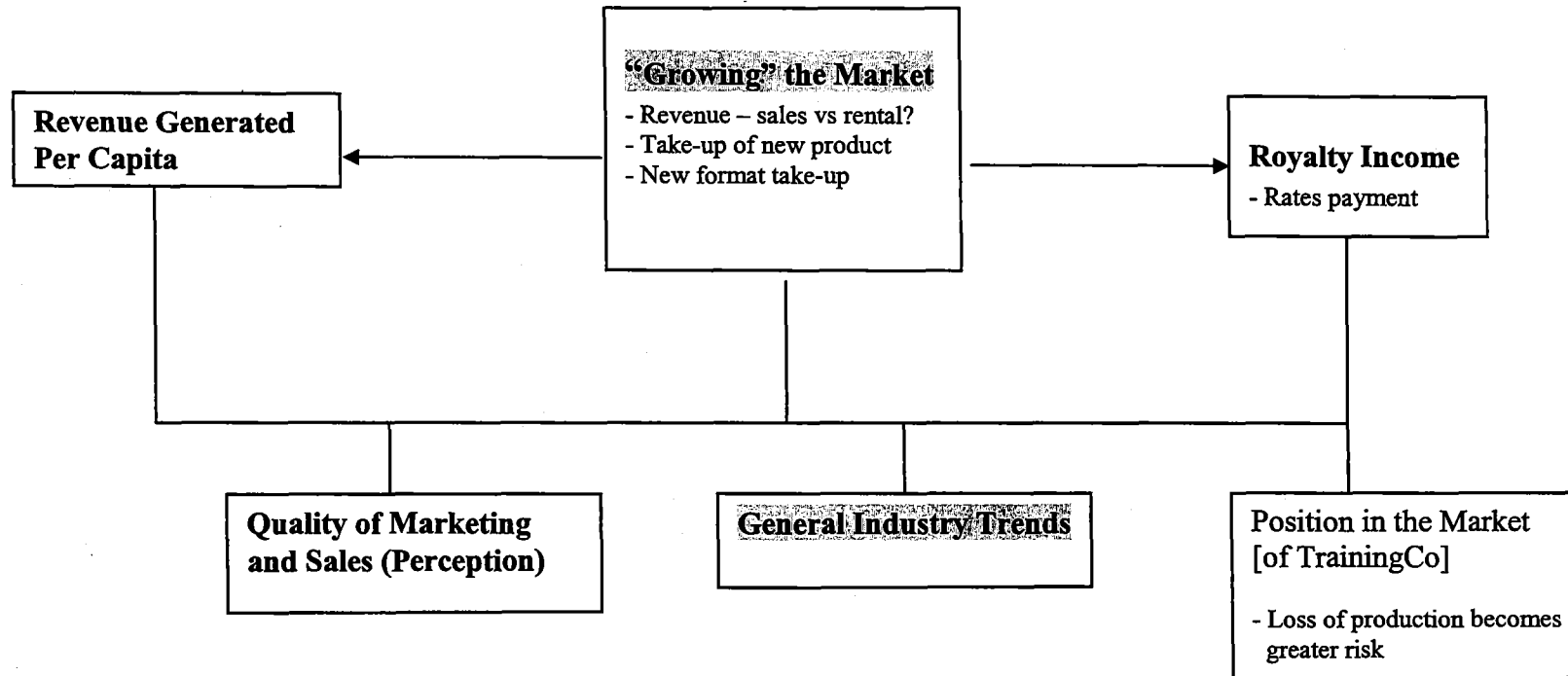
**Figure 4.8: C6F1R1INT1: Focal Firm TrainingCo**



**Figure 4.9: C6F2R2INT1: Partner Firm**



**Figure 4.10: C6F2R2INT1: Partner Firm**



TrainingCo began a strategy of diversification in 1991, motivated by significant changes in the environment, including the recession, business cycle fluctuations and changes in training delivery. Distance-learning and internet-based training were also considered to be important. With the inevitability of change over the past few years, consultancy services were re-integrated into the programmes because they added value. TrainingCo hired consultants when necessary, as opposed to employing them on a full-time basis. This provided TrainingCo with the advantage of being able to hire the 'right person to do the job'. It also recognised the fact that different trainers have different capabilities with regard to customised or non-customised programmes, and charge accordingly.

TrainingCo provided the bulk of its services in second-tier management and front-line customer service training. It was not positioned to provide senior management training. It also had a collaborative relationship with the Auckland Chamber of Commerce, who outsourced its training to the firm.

At the time of these interviews, TrainingCo NZ had 10 staff producing a turnover of NZ\$1 million. TrainingCo Australia had previously produced a turnover of A\$3 million dollars with 30 staff. Financial difficulties faced by both operations were thought to be attributable to the nature of the contract with Resources International. The agreement guaranteed them an income regardless of the level of business that TrainingCo was able to produce.

The firm employed seven general staff and had three salespeople. Text material was sold primarily through direct mail as opposed to videos that were sold through relationship selling. Resource materials were distributed on behalf of publishers from elsewhere in the world. Many of these were exclusive arrangements.

Although TrainingCo was able to generate a reasonable income stream, repayments to Resources International were severely affected by the amount of money that had to be spent on marketing. TrainingCo were 'expanding in a declining market' in the 1990s. In retrospect this proved to be a bad move. The NZ market contraction was mainly attributed to a recession at the time. As part of its strategy, TrainingCo put considerable investment into relationship managers and personnel who spent a lot of time with customers trying to achieve a higher level of penetration. This was also unsuccessful.

TrainingCo appears to have been influenced by a series of factors. The turnover each year was affected by either too little or too much product. As the managing director of TrainingCo pointed out, TrainingCo did not have the resources necessary to effectively examine and market what was actually available to it. TrainingCo failed to reach sales targets set in the mid-1990s, and market share was also an issue in the training market.

### *Resources International*

Resources International is one of two major divisions of Modal Key plc based in the United Kingdom. This company purchased Resources International in the mid-1990s, and the group creates and publishes business training, education and consumer reference titles. It consists of a training division and a book publishing and packaging division. The training division comprises two major firms: Resources International and Claremont. Resources International employs over 100 people.

Resources International is considered by Modal Key to be one of the worlds leading providers of video training programmes. Resources International is known for its integration of comedy and learning and has a strong selling advantage – the training videos feature famous British actors. These personalities give the videos credibility and additional promotional capability.

Resources International is estimated to have a 50% share in the soft skills market (for example management, presentation, interviewing) for video training in the United Kingdom. An effort is made to avoid competition with books and bookstore type publications.

The position of Resources International in the market has been an important factor in the relationship. The ability to source a product that many customers were able to identify with was seen as an advantage. The risk of losing the Resources International brands would have an enormous effect on business; this enabled Resources International to negotiate itself generous royalty. Seventy percent of TrainingCo's revenue was from UK products.

The market image of Resources International products was, however, changing at this time. Many of the personalities featuring in the videos were seen as not being as

marketable as they previously were. The product was thought to have become outdated, even though the topics remain conceptually sound and the skills taught still relevant.

Resources International did not perform well during the 1990s. External consultants were appointed by Modal Key plc to evaluate the firm's operations. This assessment concluded that Resources International had not marketed itself adequately and, even though the long-term prospects for the market were good, the short-term sales were likely to be slow. The American office was closed down, and the London office underwent major restructuring in terms of both personnel and procedures.

During this time, Resources International lost over A\$3 million in their Australian operations. The group, therefore, also had concerns regarding the long-term profitability of the Australian operations.

#### *Other*

Resources International and TrainingCo have had a relationship dating back to the late 1970s. The nature of this initial contact between the two firms appears to have influenced the development of the relationship over time. This is explained in greater detail later in the case study. The history between the two firms in this relationship was further complicated by joint ownership of a company based in Australia, which was also not performing well. The Training Resource Company was an offshoot of Video Channel, a large firm that went bankrupt in 1991. At this time the business interests were sold to Resources International. The managing director of TrainingCo also had interests in the company in New Zealand and Australia.

The Training Resource Company was in financial difficulty and began a process of rationalisation. TrainingCo and Resources International were both involved in this, and Resources International provided a great deal of financial expertise. The two companies struck up an independent relationship again after Resources International reassessed its opinion of the managing director of TrainingCo.

Externally, the collaborative relationship has been affected by a market trend towards in-house training, particularly for lower- and middle-level management in large organisations. The economic situation has also had an impact on the market share.



At this time, Modal Key was also facing financial difficulty. A key factor in the choice of partners at this crucial phase was that the opposition offered to pay a portion of the royalties in advance. This proved to be a strong deciding factor in the face of the problem of continued non-payment of royalties experienced with TrainingCo.

### **Form and Formation Process**

Resources International held a negative view of TrainingCo and NZ business in general. This was created by complicated inter-personal relationships. Historically, this hostility was thought to have developed in the 1970s when Resources International was offered a considerable amount of money to transfer distribution rights from TrainingCo to a competing firm. The managing director of TrainingCo (the current managing director's father) then began legal proceedings against Resources International. Although TrainingCo retained the distribution rights, this incident affected the relationship between the two firms. The direct relationship with Resources International resumed in 1993 when its business was acquired in New Zealand.

In the interim period, Resources International did not want to deal with TrainingCo directly, and the relationship was maintained through the Australian associate. A merger in Australia bought together two companies with very different cultures—TrainingCo and the Video Training Company, in which both Resources International and TrainingCo had interests. Resources International decided to set up its own company in Australia during the 1990s. This company was sold to TrainingCo Australia two years later. TrainingCo NZ held 20% of TrainingCo Australia. Resources International also retained a share of TrainingCo Australia. Involvement and ownership in this common company allowed for increased interaction between the two firms.

Resources International was also in financial trouble. At the time of contract renewal, it withdrew the offer to TrainingCo and told Australia that it would be ceasing negotiations. The Australian business went into receivership and TrainingCo lost the distribution rights. The finance director of Modal Key was a major player in contract negotiations; he was also one of the few personnel remaining in Resources International with contacts in TrainingCo NZ.

The financial difficulties faced by the firm have also placed considerable pressure on the output of new training materials.

### **Partner Selection and Opportunity**

The main purpose of the relationship was to provide an outlet in New Zealand for the products of Resources International. TrainingCo had a distribution role that allowed it to handle the sales function and gave it the contractual right to sell products in the region. TrainingCo liaised with the Resources International marketing team who supplied new products and market information.

The primary focus was on video and moving-image delivery with back-up material to support the core video offering. Business-to-business sales made pricing a major issue.

Training programmes were anything from three hours to four days long. The key advantage in outsourcing live training is the ability to provide specialist trainers with differing abilities.

The primary product groups that the relationship covered were management skills and training, sales training, customer service, supervisory management, communication, safety, and session starters. Financial appreciation, quality management and meeting breaks were also sold. New additions to the product range were the interactive learning products. Meeting break videos were the best sellers in the market.

The service of Resources International in these areas was basically to provide the product, although the contribution was somewhat greater in high-cost training products such as session starters. TrainingCo provided Resources International with the opportunity to partner with an organisation that possessed considerable NZ market knowledge. Despite this, the experience of both firms was high in all these areas. The areas that were considered weakest were interactive learning, quality management and meeting breaks.

Simplistic segmentation of the market involved an examination of historical purchase patterns and mass marketing. Users were divided into either frequent or potential purchasers.

TrainingCo used much of Resources International's marketing material, but Resources International did not produce customised marketing material for New Zealand. TrainingCo carried out marketing aimed at either past or prospective customers. In

many cases, customers would contact TrainingCo because they had heard of the videos through word-of-mouth.

When the Australian business went into receivership, TrainingCo lost distribution rights. This accounted for 22% of its business and 45% of the video business.

TrainingCo was the biggest player in the niche market for training videos in New Zealand. The distinctive nature of the Resources International material was thought to create a unique position in the marketplace and encourage a unique sale. Access to Resources International video titles also provided an opportunity to sell other training materials.

TrainingCo had only one major competitor in the NZ market selling BBC videos. A major player in higher-level management and sales training was a major customer. Training videos produced by the NZ Institute of Management were also not direct competition.

According to TrainingCo, total gross sales were separated into rentals and sales. These figures were monitored on an annual basis. Typical expectations were 60% rentals and 40% sales.

Distribution and marketing were both important functions within the relationship. Although the responsibility for distribution was shared, TrainingCo carried the bulk of responsibility for marketing in New Zealand. Both partners were highly capable in these areas.

### **Relationship Dynamics**

Key individuals appear to have influenced the direction and dynamics within this relationship to a large extent. TrainingCo had strained relations with a particular senior manager in Resources International who was involved in managing the overseas distribution, before being appointed managing director of Resources International. This individual was fired in 1998 as part of the restructuring.

The relationship between the managing director of Resources International and the managing director of TrainingCo created considerable tension between the two firms, a situation first experienced when the current director's father headed TrainingCo.

Comments made by the interviewees reflect the nature of this relationship<sup>6</sup>:

“One overriding factor in this relationship has been the inability of Resources International to treat people with respect.” (C6F1R1INT1)

“Resources International are not good at communication ... the managing director of the company was not an easy person to get along with ... she only ever looked at her side of the relationship ... ” (C6F1R1INT1)

The two personalities often clashed, but it was felt that the clashes did not manifest in any form that would have been detrimental to the relationship. Interestingly, one individual thought the firms’ relationship would have ended despite inter-personal problems.

Comments regarding the managing director of TrainingCo were varied:

“[He] was not a bad manager...although [the managing director of Resources International] might have thought that...partly fuelled by her own personal feelings rather than any rational observation.” (C6F2R2INT1)

“Not really rational enough ...” (C6F2R1INT1)

“Good enough within limitations ...” (C6F2R1INT1)

Despite various inter-personal problems in the relationship, in early 1999 TrainingCo was sent a contract to renew distribution rights. TrainingCo did not action this immediately and the offer was withdrawn. Although the TrainingCo contract was not renewed, comments tended to indicate that the relationship might be restored in the future:

“We would always consider [TrainingCo] in the future if he was interested.” (C6F2R2INT1)

This view was based on TrainingCo’s knowledge of the industry and the fact that the current decision was made predominantly on a financial basis. The delayed response of TrainingCo in the contract renegotiation was also thought to be an important issue. It

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<sup>6</sup> Many of the comments made by interviewees in this case have been removed from the case write-up for privacy reasons.

was felt, however, that in the absence of financial pressures it would not have been as easy to terminate the relationship with TrainingCo.

As a small concession, Resources International forgave outstanding royalties on termination of the relationship. It was the opinion of Resources International that this would help the strengthen TrainingCo's financial position.

### **Managerial Perceptions**

This relationship appears to have been riddled with problems from the start, dating back to personality clashes in the early days. The poor performance of TrainingCo in New Zealand and Australia, and the continued financial instability of Resources International, has created barriers to an effective collaboration.

Resources International's buyout of a company at £50 million and subsequent resale of it to the banks for £20 million to the banks was seen as a major set-back. Mergers and acquisitions affected the financial viability of Resources International. This, in turn, influenced product development. The product success ratio is thought to have decreased globally and although the videos are well researched, they are not always what the market wants.

TrainingCo, in part, hold Resources International responsible for the relationship's failure:

“... the relationship has been driven the whole way through [by] ... their obsession with keeping us to that contract that was basically unkeepable.” (C6F1R1INT1)

Resources International provided sporadic marketing support and never delivered effectively. The international staff lacked authority and power. Support was given to TrainingCo only when the managing director of Resources International was not present.

### **Summary**

This case demonstrates the *importance of a formal agreement that is suited to the nature of the partners* and the relationship. In this case, the focal firm were not happy with the contract, and already strained relations were further complicated by financial difficulties faced by both partners. In addition, the interviewees expressed certain differences in

company *culture* and in ways of doing business that were not resolved. Many of these factors contributed to the contract not being renewed.

## **CASE 7: EFTPOS PROCESSING**

## CASE 7: EFTPOS PROCESSING

VentureCo is a joint venture company formed by several major banks operating in New Zealand. It is responsible for processing EFTPOS (electronic funds transfer at point of sale) transactions. The relationship is characterised by cumulative logic, a high use of technology and a domestic focus. It is a highly successful venture that was classified as an *above-average performance* alliance in the sampling frame. These factors are discussed below.

### Outcomes

VentureCo is one of the most advanced EFTPOS systems in the world, and is known internally as being lean and mean. The scale of operations has provided VentureCo with a high level of credibility. It has a high profile for the delivery of a robust technology for debit and credit cards in New Zealand. Based on its performance, VentureCo won the ITUG (International Tandem Users Group) Availability Award from 1996–1999. “Tandem” refers to the technological hardware associated with the EFTPOS processing system.

Comparability and clarity of objectives sought in this collaboration contributed to the positive assessment of collaborative outcomes demonstrated. Major objectives of the venture are in the areas of:

- costs
- reliability
- availability
- quality of service.

### Costs

Costs are recovered by transferring charges to the cardholder and issuing banks. Technology, telecommunications and the reliability of the system influence cost efficiencies. An attempt has been made to maintain a low cost per EFTPOS transaction in order to motivate its use. The total costs and number of transactions also affect the cost per transaction. Growth in EFTPOS transactions over the past few years has surpassed the expectations of the organisation. The volume of transactions has increased from 600,000 per month in 1989 (with 1,300 terminals attached to the VentureCo network) to over 30 million per month.



There are now over 60,000 terminals attached to the network, representing over 45,000 retail sites in New Zealand. Terminal installations continue to grow in such areas as the mobile trade (for example, taxis and delivery services) and professional service providers (for example, lawyers' and doctors' offices) EFTPOS currently accounts for 70% of all supermarket purchases and over 60% of retail sales. Over 85% of all EFTPOS transactions are processed through the VentureCo network.

### *Reliability and Availability*

The venture had aimed for universal acceptance and 100% reliability. These have been achieved satisfactorily. The need for interchangeability among EFTPOS cards and terminals has been achieved, and this has been credited for making EFTPOS penetration (as a percentage of transactions) in New Zealand higher than anywhere else in the world. Retailer acceptance and cardholder usage has allowed for the rapid growth of EFTPOS. All merchant acquiring and card-issuing banks are now on an EFTPOS system. The widespread use of EFTPOS terminals has been influenced by EFTPOS's perceived productivity (it produces immediate value) and speed (a response is given in one second).

Failures in the system have been minimised. The last large-scale failure of EFTPOS through the VentureCo network was on 2 June 1997. This Queen's Birthday outage resulted in the loss of 100,000 transactions in the two-hour collapse. In October 1999 a software change resulted in a configuration error causing a 35-minute outage. The change, undertaken to re-balance loads for December 1999, did not necessitate a switch to the secondary site.

Technological advances have allowed for better risk management and increased reliability. Levels of faults and response times are also examined monthly. VentureCo plans to introduce software that will allow the system to switch to the secondary site automatically in the event of a failure. A helpdesk deals with calls, complaints, faults and efficiency issues. The aim is to answer 80% of calls within 20 seconds. Maintaining a secure network, minimising merchant-end problems, terminal certification and general administration are also vital for ensuring a reliable system.

### *Quality of Service*

VentureCo is well managed, and a quality product is delivered to the merchants and banks. It produces an adequate return—performance levels and monthly reports are produced. Client surveys are conducted and the satisfaction of the owner banks with the performance of VentureCo is gauged.

Collaborative outcomes listed in Case 7 can be seen in Table 4.11.

### **Strategic Logic**

This case was characterised in the sampling frame as exhibiting *cumulative logic*. The case data support this. The joint venture described in this case involves a number of large competing banks. Each bank is similar in size and has a relatively comparable presence in the NZ banking industry. The banks also have similar levels of experience.

The comparability in size of the banks was maintained in the joint venture agreement formation. Each of the partners contributed equally in terms of financial commitment to the venture and equal shareholder voting rights were allocated. As one interviewee suggested, “...it was very much a level playing field...” (C7F1R2INT1). The form of the venture and the agreement itself allowed for a clear focus on core collaborative activities. The banks expressed a unanimous wish to maintain this focus and were very careful about the activities that were supported through the venture.

All of the participants agreed on two clear collaborative activities: EFTPOS processing and terminal certification. These are described in greater detail in the ‘Partner Selection and Opportunity’ section.

**Table 4.11: Collaborative Outcomes for Case 7**

<i>Nature of outcome/objective</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance*</i>	<i>Achievement</i>
<b>Cost related</b>				
Focal firm	C7 F1 R1 INT1	Cost	7	7
	C7 F1 R2 INT1	Cost of transactions	7	6
Partner firm 1	C7 F2 R1 INT1	Cost efficiency	7	6
Partner firm 2	C7 F3 R1 INT1	Cost effective delivery	7	7
Partner firm 3	C7 F4 R1 INT1	Decreasing unit costs	6	7
	C7 F4 R2 INT1	Cost per transaction	6	5
Partner firm 4	C7 F5 R1 INT1	Cost of transaction	7	5
	C7 F5 R2 INT1	Cost	7	7
<b>Service related criteria</b>				
Focal firm	C7 F1 R1 INT1	Reliability	7	6
	C7 F1 R2 INT1	Reliability	7	7
Partner firm 1	C7 F2 R1 INT1	Client satisfaction	7	5
	C7 F2 R1 INT1	Availability	7	7
Partner firm 2	C7 F3 R1 INT1	Quality of service	7	7
Partner firm 3	C7 F4 R1 INT1	Security	6	7
	C7 F4 R2 INT1	System availability	7	7
	C7 F4 R2 INT1	Technological discontinuity	5	5
Partner firm 4	C7 F5 R2 INT1	Availability	7	6
	C7 F5 R2 INT1	Customer service	5	5
	C7 F5 R2 INT1	Management of standards	6	6
<b>Partner related</b>				
Focal firm	C7 F1 R1 INT1	Partner relations	7	6
	C7 F1 R2 INT1	Bank satisfaction	7	6
Partner firm 1	C7 F2 R1 INT1	Neutrality	7	6
Partner firm 3	C7 F4 R2 INT1	Communication	7	7
Partner firm 4	C7 F5 R2 INT1	Bank satisfaction	6	5
<b>Personal relations</b>				
Focal firm	C7 F1 R2 INT1	Universal acceptance	6	7
Partner firm 2	C7 F2 R1 INT1	Competitive enabler	7	7
Partner firm 3	C7 F4 R1 INT1	Universal acceptance	6.5	7
	C7 F4 R1 INT1	Cardholder usage	6	7
Partner firm 4	C1 F2 R2 INT1	Good communication	5	4

## **Technology**

The relationships core activities—EFTPOS processing and terminal certification—involve a high use of technology. By all accounts this relationship is a high-technology partnership that depends on superior technological capability. The strength of VentureCo's technological capability has been rewarded with international recognition.

## **Geographic Scope**

This relationship was primarily designed to support EFTPOS processing in the domestic market. Whilst many of the major trading banks have international affiliations and ownership, these factors do not have any impact on the working of this particular collaboration.

## **Context**

EFTPOS commenced in New Zealand during the mid-1980s. At this time, two networks were responsible for the processing of transactions—one owned by the trustee banks, and the other operated by the trading banks. The two networks competed for about four years.

### *Trustee Banks*

The trustee banking system developed in New Zealand as a result of the thrift movement of the late 1800s and early 1900s and was designed to encourage individuals to save.<sup>7</sup> Until 1988, the government guaranteed deposits in these banks. In 1986, there were 12 trustee savings banks in operation. On 21 December 1989, 11 of the 12 trustee banks merged to form one organisation. One of the larger banks pulled out soon after the merger. One South Island savings bank remained independent. After deregulation in the 1980s SBank and TBank entered and emerged as full banks.

SBank and TBank, in partnership, owned the Cpoint EFTPOS system. SBank was the prime catalyst for EFTPOS among the trustee banks. This was housed and operated from SBank headquarters in Auckland. One person was assigned to manage EFTPOS

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<sup>7</sup> A discussion of the Trustee and Trading bank systems can be found in: Peare, Paula (1999) *Financial Institutions and Markets*, p.35-44. Melbourne:Nelson ITP.

on a day-to-day basis. The isolation of EFTPOS processing within Cpoint allowed for an efficient system with relatively low transaction costs.

### *Trading Banks*

Four major trading banks were operating in the NZ market: ABank, BBank, WBank and the NBank of New Zealand. The trading banks' primary strength was their relationship with retail merchants.

Prior to the formation of VentureCo, the four major trading banks collectively owned DB Systems Ltd. DB was responsible for the deployment of all new technology within the banking environment and processed most types of transactions for its owner banks. EFTPOS made up a small proportion of these. Since EFTPOS transactions were not isolated from other types of transactions, the cost of processing an EFTPOS transaction through the DB system was higher than through the Cpoint system.

All EFTPOS-related costs were borne by the banks at this stage—no fees were levied on consumers or merchants who used the systems. This meant that EFTPOS was being heavily subsidised in order to increase the volume of transactions. During this time, BBank was facing serious financial difficulties. On the recommendation of external consultants it decided to pull out of EFTPOS provision in 1988. ABank also discontinued offering EFTPOS services. WBank and the NBank purchased the remaining parts (people, processing systems and software) of the DB EFTPOS system. These two trading banks, in partnership, began operating the Hpoint EFTPOS system in 1988. WBank ran this on a fee-for-service basis. The personal relationship between the chief executive officers of these banks was influential in initiating the joint venture.

BBank utilised the ABank network on a fee-for-service basis when they decided to re-enter EFTPOS provision 18 months later, before joining VentureCo.

### *Retail Merchants*

Oil companies and supermarkets were the two major retail merchant groups using EFTPOS at this time. Merchants who wished to service customers of both Cpoint and Hpoint had to have two sets of terminals. The result of the two competing networks was poor pricing from a rush to sign up merchants. Inefficiencies were apparent everywhere.

EFTPOS volumes were small—people were writing cheques, using credit cards, accessing automatic teller machines (ATMs) as well as using EFTPOS.

A crucial meeting of major retailers and EFTPOS providers was held in early 1989 to discuss the future of EFTPOS. The key benefits that an EFTPOS system should provide were identified in this forum. A stipulation made by the retailers was universality—that is, all terminals had to accept all cards, which in effect required all networks to be interchangeable.

Following discussions focused on how the costs of EFTPOS could be effectively divided among the key participants. It was agreed that the retail merchant would supply the terminal and the telephone connection. The banks would pay for processing. Telecommunication charges (currently 47% of the cost of EFTPOS transactions) would be shared between the banks and the merchants on a per-terminal basis. To reduce uncertainty, a long-term contract was drawn up.

EFTPOS has effectively introduced a new payment channel that is available 24 hours a day, seven days a week. As the system has to be resourced for peak usage it carries double the required network size and runs to 25–30% of capacity off-peak.

### **Form and Formation Process**

Motivated by the demands of the retailers and the need for stability in the market, the banks agreed to set up an independent company to manage EFTPOS growth and development. The nature of the participants required both transparency and commitment through the negotiation process. WBank and the NBank approached SBank. VentureCo was established in 1989 through the merger of the two independent EFTPOS networks—Cpoint and Hpoint. The set-up process involved standardising software and technology. This included an examination of processing equipment, network assets and the telecommunications network.

The *Commerce Act 1986* influenced the form of the venture and the negotiation process. The structure had to be regarded as a utility, with the services of each bank to be sold separately. VentureCo had to function as a back-office operation that allowed the banks to preserve a competitive framework. Due consideration was given to the issue of drawing a fine line between what was sensible collaboration and a structure that may, in

fact, have been regarded as illegal. The fact that EFTPOS was not a preferred method of payment at the time helped the Commerce Commission accept the relationship.

A major enabling factor in the formation process was also the nature of the relationships between key individuals in the partner firms. Top management had a history of business interactions. Personal contacts allowed open communication to begin in an environment that could otherwise have been fraught with anti-competitive issues. Other bilateral agreements also exist between individual banks. As one interviewee described:

“There was a history among these key people. They knew each other personally ... I think that introduces an element of trust ... that comes from personal knowledge and experience with one another.” (C7F4R2INT1)

The history of the DB Systems Ltd processing structure indicated a prior relationship between four of the major trading banks in New Zealand at the time. Each of the partner firms brought a similar level of skill, capability and commitment to the relationship. The trustee bank system carried a strong base of individual customers, while the trading banks had strong relationships with retail merchants.

Other major banks were given the opportunity to join VentureCo. Banks such as ABank and BBank decided not to take part in the venture. ABank (18 months after discontinuing EFTPOS) began operating a delivery system of its own which BBank used on a charge-for-services basis. The arrangement between ABank and the BBank continued until 1995, when the BBank decided to buy into VentureCo after reassessing the market potential of EFTPOS. Although the venture has had only four or five owners at any one time, at least 27 other members use its services.

VentureCo's clear purpose and role definition allow for ease in addressing costs. Competition between the banks is channelled around providing value to customers. Rationale for this clear delineation was described by one of the interviewees:

“We wanted to keep control of it, particularly in the early days we made sure that it was going to work and that we were going to get the economies and build a pure utility ... [It is] tightly focused on a limited range of activities and [is] very much seen as a utility approach ... It is very important to have a clear understanding of what the boundaries are ...” (C7F1R1INT1)

The shared vision of the participants resulted in a focus on the key objective: the promotion of EFTPOS as a preferred payment mechanism through decreased costs and increased reliability. The culture, management and agreement surrounding VentureCo were shaped by the personal interactions of key people within the top management of the banks. There was agreement on the operating philosophy that encompassed customers, retailers, cardholders and the entrance of new members. It was an alliance of mutual self-interest. Interviewees described the clarity with which the banks approached the formation of this venture:

“...EFTPOS had enormous potential—the uptake was quite slow in the early days and it was a case of how [the banks] could cost-effectively offer the service to [customers] ... so a consortium of banks was seen as a way to spread the costs of providing the service.” (C7F3R1INT1)

“[As it had been demonstrated that] mindless competition at all levels destroyed the ability to actually deliver the service and the only way to break through that was to have essentially one mutual processor that would enable the value to be generated through both the retailers and the banks. And that philosophy turned out to be shared.” (C7F4R1INT1)

To ensure a high level of control, the relationship initially functioned on a series of facilities management agreements, with each partner firm performing key functions. An independent general manager, working from SBank headquarters, oversaw this operation. The participants’ agreement is the cornerstone of VentureCo. This document establishes key principles for EFTPOS delivery and details key responsibilities of each partner in the facilities management agreements. The agreement provides guidelines regarding general objectives and principles, the transfer of assets (specifically those owned by Cpoint and Hpoint), a constitution, the capitalisation and operation of the joint venture, details of the joint venture’s business, intellectual property, statutory approvals, and the introduction and withdrawal of participants.

A separate legal structure for the venture allowed for equity and equal ownership, and for appropriate governance to be instituted. A major facet of the participants’ agreement was that the directors had to reach unanimity in all major decisions. Co-operation, established at the board level, has been a legacy of the relationship.

Decision-making is the responsibility of the board of directors, consisting of one appointee from each of the owner banks. Meetings are held bi-monthly and the chair



(elected by the board) is rotated annually. The board provides strong direction and a clear sense of purpose to the venture. VentureCo manages the day-to-day business and operating environment with governance from the board of directors and the participants' agreement.

Shares of the partners were re-distributed so that BBank was able to enter the joint venture as an equal partner in 1995. The Commerce Commission was also consulted at this time. BBank's decision to join the VentureCo group resulted in a massive increase in EFTPOS activity through the network, based on Bbank's strong retail merchant base. This large-scale growth initiated a major review of operations in 1995. Based on this re-assessment, the board decided that VentureCo should have its own staff and offices. VentureCo now has a general manager, five other managers and over 60 specialist and merchant services employees. It functions from an independent office.

The strength of the participants' agreement was tested again in the late-1990s when WBank announced plans to acquire TBank. This merger, completed in July 1998, required the re-distribution of shares in order to preserve the principle of equality. Ownership was once again divided among four shareholders: BBank, NBank, SBank and WTBank (the Wbank/TBank merger). The history of ownership changes within the joint venture are shown in Table 4.12.

### **Partner Selection and Opportunity**

Pure economic reasoning provided strong grounds for the formation of an alliance between major industry competitors. Combined with this was the joint conviction that mindless competition between the banks would actually destroy the ability of the industry to provide the service in a market the size of New Zealand. The major participants believed that EFTPOS, as a payment mechanism, had the potential to surpass cheque volumes in the banking system.

VentureCo was set up as a single-product operation. It gives focus to very complex technical and business considerations. The large scale of operations allows the venture to minimise costs and influences outcomes. As such, it is designed to support the provision of the lowest-cost, highest-availability EFTPOS processing system. The joint venture owns tandem mainframes on which each transaction is switched.

**Table 4.12: Chronology of Major Events and Ownership in Case 7**

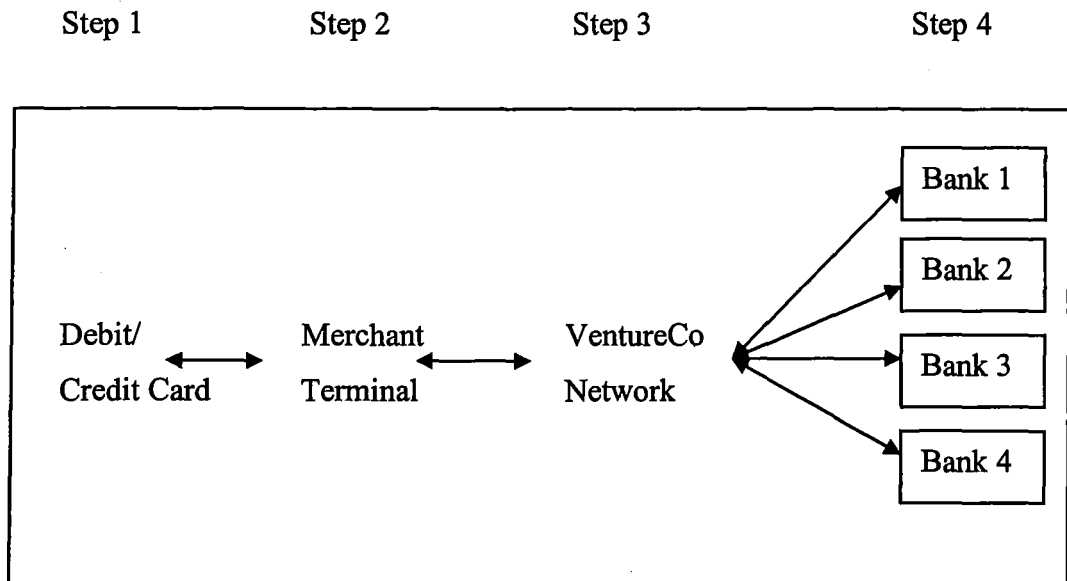
<i>Year</i>	<i>Structure</i>	<i>Participants</i>
Mid-1980s	DB	BBank WBank ABank NBank
Mid-1980s–1989	Cpoint	SBank TBank
1988–1989	Hpoint	WBank + NBank
1989 <sup>∞</sup>	VentureCo	WBank NBank SBank TBank
1995	VentureCo	WBank NBank SBank TBank BBank
1996	VentureCo	NBank WTBank SBank BBank

*Notes:*

<sup>∞</sup> ABank sets up independent EFTPOS network 18 months after it first discontinued providing the service.

The system essentially involves a two-part transaction—one message to the bank and one back again. The terminal is the repository with the control that can confirm or reverse a transaction and respond to the merchant or customer. The transaction is validated through the use of a personal identification number (PIN) and payment is authorised. All message processing is conducted through the public telephone network. The EFTPOS transaction process can be seen in Figure 4.11.

The system relies on maintaining high levels of security and ensuring terminals meet a certain standard. All terminals pass through a certification process and software is upgraded regularly. Transporting information from the merchant to the banks in an encrypted form ensures consumer card and PIN security.

**Figure 4.11: EFTPOS Transaction Process**

Oil, food, liquor, national chains, “mom’n’pop stores”, the mobile market and hospitality and tourism are major retail sectors providing transaction volumes through the network. The activities of VentureCo include the provision of a helpdesk function to support retail merchants. VentureCo maintains key relationships with card issuers, banks, merchants and terminal suppliers. It does not deal with individual customers. Each of the banks also has a helpdesk to support retail clients. Inherent in all of these activities is the provision of a suitable technological infrastructure for the administration involved.

The telecommunications network is managed through an agreement between Telecom NZ and VentureCo. A merchant agreement involves the merchants, VentureCo and the banks. A large amount of intellectual property is protected through these agreements. As mentioned earlier, the merchants provide the infrastructure of terminals and telecommunications lines into the switch. Technical and technology-related problems are referred to VentureCo. The bank deals with any financial problems.

Apart from these key activities, VentureCo accumulates information for the Fly Buys loyalty programme. The information is stored and then transferred to the organisation. VentureCo is not involved in the marketing or administration of the loyalty programme.

The major costs are in telecommunications (47% of total cost), terminals, the central processing unit installations, and the links to the banks. Within this EFTPOS model, the major costs are borne by the card-issuing bank and the cardholder, as opposed to the retailer. Initially, each transaction cost the bank \$2.50 per transaction and EFTPOS was heavily subsidised by the banks. Number of transactions (and therefore the number of merchants), reliability and administration all affect costs.

VentureCo's sources of income are transaction fees charged to banks and a partial charge made to retail merchants to cover telecommunications costs. Banks are charged at a rate of 0.15c per transaction, a cost which decreases as the volume of transactions increases.

Given the high contribution of telecommunications to the overall cost structure, a five-year contract was negotiated with Telecom so that a standard nominal fee (\$5 per month) could be charged to the retailer. In 1999, this charge was reviewed and increased to \$10 per month. Set rates to the retail merchants indicate that the costs of growth in the number of transactions have been borne by VentureCo.

VentureCo maintains two processing infrastructures. The central processing installation is duplicated and a detailed disaster contingency plan is in place. The first installation is regarded as a full production site. The second infrastructure is termed warm:hot,<sup>8</sup> which in effect means that it would take about 15 minutes to restore service from the back-up site should the primary site malfunction. This process involves a continual trickling of transactions from one system to the other so a current back-up record is maintained. Planned outages ensure the smooth running of both sites.

The relationship covers New Zealand, although 70% of business is north of Hamilton. The importance of certain regional areas is based on sales and population distribution—that is, volume. Each of the owner banks varies in strength geographically.

A strong board of directors and a team of competent general management support VentureCo. It does some point of sale advertising but does not market to card issuers, although it fulfils a public relations role for the owners when necessary.

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<sup>8</sup> In VentureCo's definition, a hot:hot system would be one that could pick up transaction processing in a totally seamless manner should the primary site malfunction. It was VentureCo's hope to install a hot:hot site.

### **Relationship Dynamics**

Equity is a key principle that has been adhered to in both the formation of the relationship and the conduct of participants. Shareholding and size similarities have ensured an absence of power issues.

Personal relations among the key decision-makers and prior experience with one another have both been an advantage. A high level of trust is evident among the participants.

A shared and common vision has also been important. This has contributed to open communication and an increased level of understanding and commitment to the relationship. Cooperative decision-making has been maintained.

The general quality of the management team and the representatives on the board has been very high. The staff has been committed to ensuring the success of VentureCo. This level of commitment is also maintained by the infrastructure investment.

Conflict resolution has been at the board level. Structure and clearly defined rules have been key factors in maintaining low levels of conflict. VentureCo endeavours to maintain total neutrality in its dealings with each of the owner banks in order to uphold this, and also undertakes an arbitration role. An understanding of the boundaries within which the relationship functions has allowed for uncomplicated resolution of any conflict.

VentureCo has been designed to ensure that neutral dealings are maintained with each of the owner banks and all merchant clients. VentureCo has been able to maintain the balance between partners by ensuring that no one participant gains an unfair hold or power base. The ability of VentureCo to enforce this stance has been strengthened by its singular focus on the provision of EFTPOS. The dependencies that the successful system has created, and the existence of strong documents guiding rules of conduct, guarantee that a non-competitive environment is maintained within the confines of the collaboration.

Externally, VentureCo maintains strong relationships with Telecom NZ. Costs had to be finalised and negotiated before large customers were willing to adopt EFTPOS. The

five-year contract negotiated with Telecom NZ allows for adequate long-term planning of costs. The terminal and integration costs were approximately NZ\$3,000.

### **Managerial Perceptions**

The market attractiveness created by the banks was seen as a major factor in the phenomenal growth of EFTPOS in New Zealand. EFTPOS is now commonly regarded as a fundamental payment mechanism. However, the volume of transactions has reached a saturation point, and it is perceived that future growth will rely on customer convenience issues and the consideration of new initiatives. Large usage levels and dependency on the VentureCo network compound the potential impact of a failure in the system.

The NZ environment was specifically noted as an important factor in the development of EFTPOS. The size of the market does not allow for any inefficiency, and forces innovative thinking to overcome scale-related barriers. The scale of the venture has created the ability to enforce standards.

The NZ banking sector has also been characterised by experienced individuals who have been willing to trust one another. Continued commitment to this venture is dependent on strategic change within the banks and the impact of globalisation.

Key positives are the simplicity of VentureCo's purpose, the stability of the relationship and partner relations:

"The clear vision in this [joint venture] has been kept very simple." (C7F5R1INT1)

This was seen as an important factor in its success. As another respondent remarked:

"One of the best things I have come across—[a] potential goldmine for New Zealand." (C7F4R2INT1)

The quality of key individuals and the skill and strong resource base of the banks have contributed to good partner relations.

The issue is, however, where to draw the line between meaningful collaboration for cost-cutting and what could be seen as controversial and anti-competitive in the eyes of

the Commerce Commission. This is a sensible cautionary note as VentureCo currently processes 85% of all EFTPOS transactions in New Zealand.

Any initiatives have to be agreed on by all owner banks. New opportunities being investigated jointly from the VentureCo network include using Internet-based transaction processing, ATM (automatic teller machine) transactions and the linkage of credit cards. The potential to develop data-capturing for loyalty programmes is also recognised.

The key to VentureCo's success has been its focus on a single product, which maintains the common purpose and rationale for its existence. Understanding its strategic future is clearly important in managing opportunities. The banks are aware of the fact that EFTPOS is a commodity product which is a necessity but does not give them any competitive advantage. The key question that remains to be answered is: Could the switch be used for commercial gain while maintaining equivalence?

### Summary

This case describes a highly successful collaboration among banking industry competitors. *Personal relationships* among many of the key players are thought to have allowed *open communication* at the outset. The success of VentureCo has been possible because of the *shared vision* held by key individuals in these organisations. Many interviewees believed that the *formal agreement and the collaborative form strengthened this vision*, maintained a *clear focus* on collaborative activities and *enhanced the achievement of key joint venture objectives*.

## **CASE 8: VIBRATORY TECHNOLOGY**



### CASE 8: VIBRATORY TECHNOLOGY

This was an informal agreement to provide joint conveyor systems between two firms operating in New Zealand—TechCo and EngineeringCo. The relationship was characterised by cumulative logic, a high use of technology and a domestic focus. It was classified as exhibiting below average performance.

#### Outcomes

The relationship functioned effectively and generated a reasonable amount of enquiry regarding projects between 1994–1997. Despite the level of interest in TechCo's technology, the partners felt that they had not succeeded in securing a sufficient level of work. This was reflected in the outcomes TechCo listed as important and their rating of achievement. The partner firm's required outcomes were:

- access to expertise
- good relations.

According to their ratings, these were achieved satisfactorily. Interestingly, however, no common outcomes were listed by both partners.

Outcomes are summarised in Table 4.13.

Regardless of the potential for collaboration, the relationship was not monitored or developed in a formal way. One interviewee highlighted this:

“The relationship isn't monitored, it's one that just happens ... although our own profitability in sales and things are the monitors.” (C8F2R1INT1)

The collaboration was also threatened by changes within EngineeringCo. A change in higher-level management resulted in a shift in focus within the core business. While conveyor work is still undertaken, the firm is increasingly involved in packaging and robotic palletising of finished products. This significant change in orientation was predicted, by the interviewees, to result in the loss of the common ground established at the outset of the collaboration.

Table 4.13: Collaborative Outcomes for Case 8

<i>Nature of outcome/ objectives</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance*</i>	<i>Achievement</i>
Sales and revenue criteria				
Focal firm	C8 F1 R1 INT1	Equipment sales	6	4
		Enquiry	5	3
Partner firm N/A	—	—	—	—
Skills related criteria				
Focal firm N/A	—	—	—	—
Partner firm N/A	C8 F2 R1 INT1	Expertise	6	6
Partner relations				
Focal firm N/A	—	—	—	—
Partner firm	C8 F2 R1 INT1	Good relations	5	6

Strategic Logic

This relationship was categorised as displaying cumulative logic by the focal firm in the sampling frame. However, information gathered in the interviews could lead to a reclassification of this relationship as displaying *complementary logic*. Whilst both firms had expertise in conveyor technology, the focal firm possessed vibratory belt technology commonly utilised in food packaging that the partner firm did not have. Despite this recognised skill, the partners did not have a shared understanding of key collaborative activities. The collaboration enabled the partner firm to access unique skills in this area that it was unable or unwilling to provide itself. At the time of these interviews, TechCo suggested that the technology had been provided by fewer than three firms across New Zealand.

Technology

The use of vibratory technology was the focus of this relationship. The technology allows the vibration of a plate. In the food industry this is typically constructed from stainless steel, enabling easy cleaning. Products move along the plate aided by the vibration. They are weighed and packed. Multi-feed layers are used to maintain accuracy in the packing and distribution process. The addition of air cleaners allows for

the effective transfer and cleaning of products in the grain industry. A vertical stream of air is utilised to remove light particles that are not required in the transfer and packaging process. De-watering equipment is also used as necessary to dry food products as they pass through the conveyor system.

### **Geographic Scope**

This relationship was between two Auckland-based firms. Although the partner had a presence in Australia, the collaboration basically covered activities within the local New Zealand geographic region.

### **Context**

#### *TechCo*

TechCo was founded 35~40 years ago and specialised in vibratory technology. At the time of these interviews, an individual who had previously owned the operation now managed it. He had taken over the firm in the mid-1990s. After experiencing financial difficulties the firm was sold, and he was retained as a manager.

A key event for TechCo during the 1990s was a major project that did not go well, resulting in cutbacks and resource constraints. The project problems were not well documented and TechCo were advised to settle out of the legal system. In the settlement, TechCo accepted some responsibility for system non-performance and the other firm entered an agreement to repay a substantial sum. TechCo had not received payment for part of the project, and this created cashflow problems.

TechCo consequently ended up with a long-term debt and was unsuccessful in securing other key tenders that may have aided recovery. The firm resorted to undertaking a series of small-scale projects in order to generate business, but was not making progress. TechCo would have considered itself number one in the industry in the past.

With decreased resources, TechCo was unable to maintain strong customer focus and service equipment effectively. This resulted in significant changes in its packaging of solutions and it began concentrating on selling to equipment suppliers, such as EngineeringCo (its alliance partner), as opposed to dealing with numerous smaller customers.

The company ceased trading in August 1999, and was placed in the hands of a receiver. TechCo slowly began to reclaim business in November 1999, but was faced with recovering customer and employee confidence. TechCo had no direct contact with EngineeringCo during receivership.

Traditionally, there have been three players in the vibratory technology market in New Zealand. Other firms import the technology as required, increasing the level of competition in certain markets or at particular times. Firms with established overseas relationships deal with offshore suppliers, thus introducing high-level international competition.

### *EngineeringCo*

EngineeringCo is an Auckland-based firm formed in 1955 as a subsidiary of a larger holding company. It specialised in the service and installation of imported machinery for the canning and bottling industry. Various related acquisitions have allowed the firm to build on its product range and capabilities. It now has a commercial presence in fruit and vegetable processing, wineries, chemicals and the pharmaceutical industry.

EngineeringCo employs over 70 staff in New Zealand and Australia. It has manufacturing plants in Auckland and Melbourne, and sales offices in Auckland, Melbourne and Sydney. The firm is considering future expansion in the South Pacific region, with further growth in Australia a priority, as is development of the North and South American markets.

EngineeringCo maintains close association with key international suppliers and continues to negotiate the right to manufacture under license.

Changes within the organisation resulted in the appointment of a new sales manager during the late 1990s. Employee changes within EngineeringCo and a scaling back in TechCo has resulted in a loss of knowledge which had an impact on the ability of the new manager to perform and to acquire key vibratory knowledge.

The option to purchase vibratory technology was not an area being considered at the time of these interviews.

### **Form and Formation Process**

The association between the two firms grew from informal interactions between representatives in both EngineeringCo and TechCo. Staff had formerly worked together in other firms. The previous sales manager in EngineeringCo was a key participant in this process. As mentioned, the consequent appointment of a new sales manager resulted in a loss of knowledge from EngineeringCo, and this was not adequately rebuilt. As the interviews highlighted:

“It was informal ... primarily depended on a personal relationship ...”  
(C8F1R1INT1)

Concurrent to the formation of this relationship, TechCo initiated an internal change in focus from end-users to suppliers within key industries relating to vibratory technology. A core area of concentration within the relationship was the food processing industry.

The level of interaction between the two firms has been dictated by projects acquired by either firm. Three joint projects were the result of EngineeringCo customers requesting TechCo technology. EngineeringCo saw fostering companies like TechCo as a key objective.

There was no formal agreement. Discussions that the relationship should be formalised to protect each partner’s intellectual property did not eventuate.

### **Partner Selection and Opportunity**

The firms’ agreement to collaborate was motivated by the idea that a base formed with joint skills presented more effective opposition to other competitors. TechCo utilised the established sales team within EngineeringCo and its network of existing contacts to secure enquiries for systems. TechCo would then support EngineeringCo in the sales process through costing and funding issues, and dealing with customer enquiries. Together the two firms would create an effective conveyor system compatible with the requirements of the customer. As one interviewee commented:

“By working together we effectively brought together skills ... we were making use of their established sales team, their existing network of contacts in order to secure enquiries ...” (C8F1R1INT1)

The relationship concentrated on vibratory conveyor belt technology, an area of expertise that EngineeringCo lacked. It involved equipment sales and handling. Access to expertise in this area was a major benefit to EngineeringCo.

The first stage in developing a solution involved examining the technological requirements of the customer. If vibratory equipment was found to offer the best solution to the client's needs, the process of consultation progressed further. The skill of the focal firm was recognised by its partner:

"TechCo are very specialised in the vibratory side of things and that is the expertise we lack here. It is a science in itself, so we are happy to work in together with them whenever we can." (C8F2R1INT1)

If TechCo's technology offering was not suitable, EngineeringCo would attempt to source conventional conveying technology elsewhere.

The initial stages of a project required equal contributions from both partners. Based on the determined solution, this would alter as the project progressed. The proposed solution would be discussed in terms of the various components that were necessary, prices would be agreed on, and each firm would agree to its relative contribution. EngineeringCo would take the responsibility for linking the components of the system, and installing the system on site for the client.

Vibratory conveyance was considered most important to the relationship, and within this an industry-based segmentation approach was adopted. TechCo were particularly interested in concentrating on the food processing industry. EngineeringCo was asked to concentrate on developing contacts in the food industry—particularly snack food manufacturers. The experience of both firms was considered to be high in this area.

Interviewees considered that in the absence of a good relationship between the two firms, the ability to access expertise would still provide EngineeringCo with a major incentive to continue the collaboration. The key issue in this respect has been the lack of alternate suppliers for the range of vibratory technology offered by TechCo.

### **Relationship Dynamics**

The business conducted between the two firms relied on the personal relationships of key individuals in both organisations. The personnel changes in EngineeringCo during

the late 1990s were a major factor contributing to the changing nature of the overall relationship. TechCo made no move to formalise the relationship despite these developments.

A certain level of trust between key individuals was evident. For this reason no formal agreements were considered necessary. Each firm clearly focused on their established area of expertise and no conflict was anticipated. The personal interactions between individuals formed a key role in the nature of the collaboration.

A common thread in the core business also provided further motivation for the two firms to collaborate, while the friendly relationship and the expertise were instrumental in continuing the collaboration. Nonetheless, the change in personnel clearly affected the relations between the two firms and had an impact on the level of work conducted.

The number of projects that were proposed within the relationship determined the level of interaction between the two firms. EngineeringCo would approach TechCo when a need for vibratory technology was perceived. While joint projects were being conducted, interaction would be high.

Despite clear motivations to secure business, EngineeringCo interviewees expressed the view that TechCo did not adequately address proposed projects. This factor was instrumental in influencing EngineeringCo's new sales manager's perception of TechCo's ability to perform.

Other changes in TechCo also had a considerable impact at this time. These were predominantly the result of one project, where equipment that was supplied did not meet the requirements of the client. TechCo held the view that the product had been supplied with client approval and according to client specifications. This created problems for TechCo. The proceedings leading to this altercation were not well documented and resulted in a settlement that hurt TechCo financially.

### **Managerial Perceptions**

In order for the relationship to work it was recognised that a level of openness and transparency was crucial. A reasonable understanding of the partner firm's business was also considered important by the interviewees. The cognitive mapping exercise revealed some degree of comparability between the two partners. Both firms recognised the

impact of the focal firm's difficulties, the changing nature of the relationship and the decreasing focus on the relationship by the partner firm. These maps can be seen on p.221–222.

An important factor in the relationship was that neither firm saw the relationship as an opportunity to secure new technology. This instilled a greater level of confidence in the motives of the partner. EngineeringCo viewed TechCo as a trustworthy partner with whom it was able to cooperate without many of the conflicts that could have arisen with other competing products.

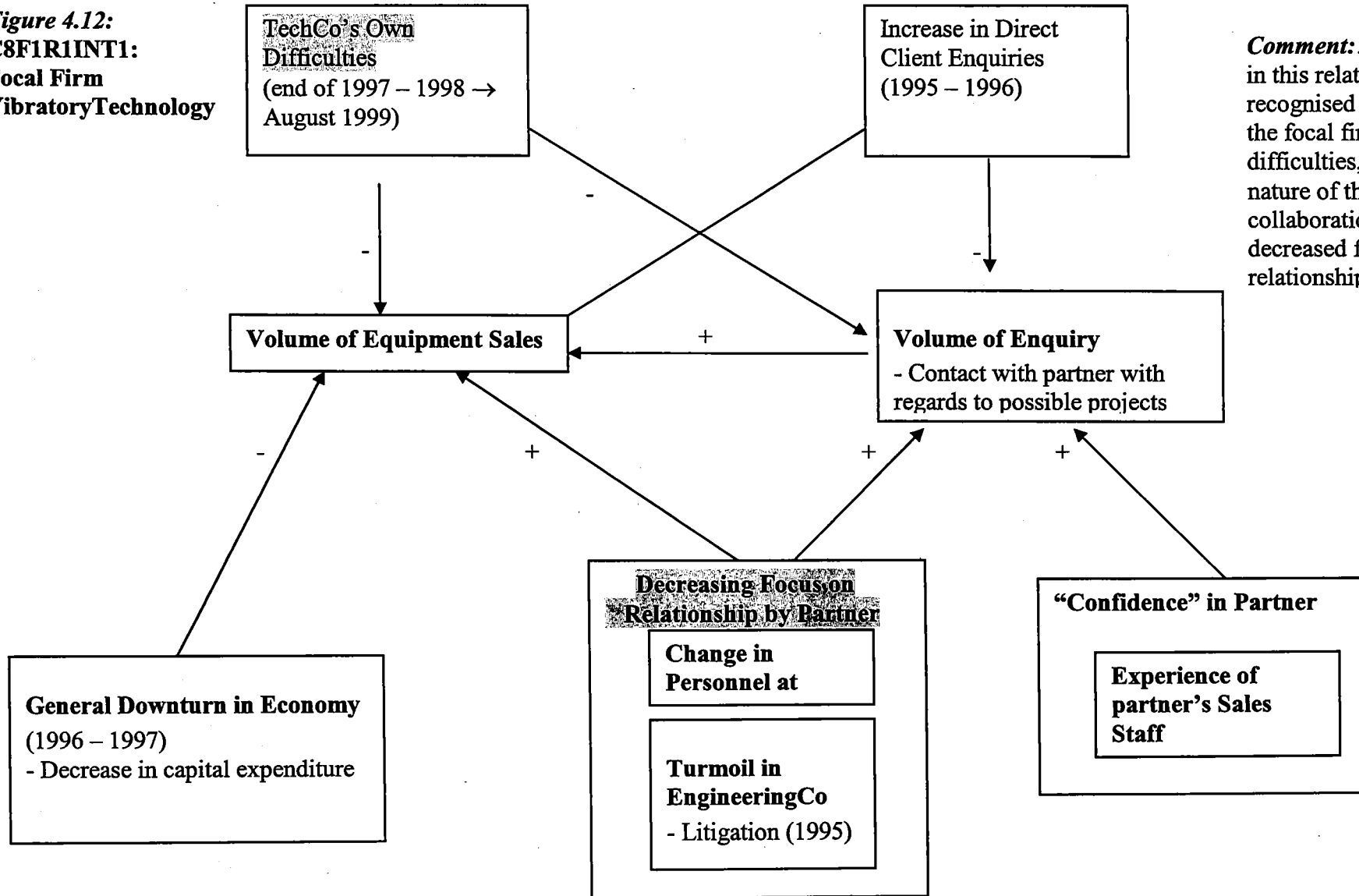
Changes in TechCo were perceived to have had a major influence on the relationship. A key factor was the internal shift in focus and the desire to become known as an equipment supplier to firms rather than dealing with the end consumers. The sales personnel necessary to sustain the relationship with EngineeringCo did not support this change.

### Summary

This collaboration demonstrates the *lack of focus* that may result if a relationship progresses *without a formal agreement*. The partners *did not share a clear understanding* of the outcomes and activities of the alliance. This was evident from the outset with the *disparate objectives* listed by the two interviewees. Other factors that may have had an impact on the unsatisfactory outcomes in this collaboration include the loss of a key employee who was an initial point of contact, and *general industry changes*.

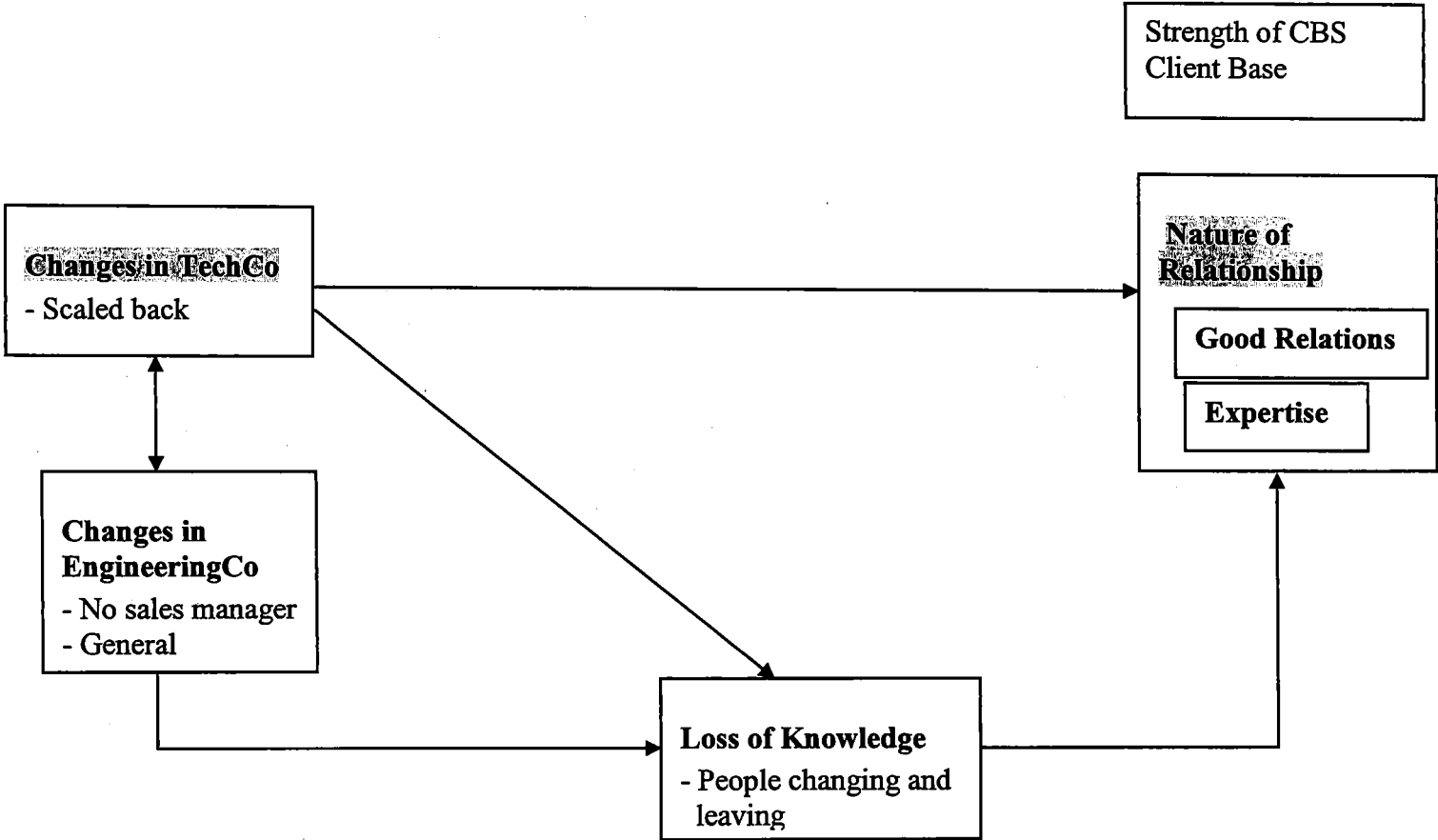


**Figure 4.12:**  
**C8F1R1INT1:**  
**Focal Firm**  
**Vibratory Technology**



**Comment:**...Both firms in this relationship recognised the impact of the focal firms difficulties, the changing nature of the collaboration and the decreased focus on the relationship.

Figure 4.13: C8F2R1INT1: Partner Firm Vibratory Technology



## **CASE 9: AUTO FINANCE**

### **CASE 9: AUTO FINANCE**

This was a joint venture company formed by two firms, one the subsidiary of a well-known European car manufacturer (CarCo), and the other a local vehicle finance company (FinCo). The joint venture was responsible for addressing the finance and leasing needs of the car manufacturer's dealers and customers. The relationship was characterised by complementary logic, a high use of technology and a domestic focus. It was a successful venture that was terminated despite its classification as an above-average performer in the sampling frame.

#### **Outcomes**

This relationship was categorised as an above-average performer in the sampling frame. The case description also reflects a relationship that was highly successful and met the expectations of interviewees. This is evident in the outcomes and ratings provided in the semi-structured questionnaire (Table 4.14), which demonstrated a certain degree of comparability.

Main outcomes measured by the partners were:

- profit
- levels of new business
- dealer satisfaction.

Each month had a profit target which was based on the number of contracts and the physical amount being financed. In addition, a five-year budget was prepared at the time the joint venture was formed to measure performance against as a justification tool for Germany. Forecasts were provided to Germany on a regular basis.

The vehicle financing target was 40–45% of all vehicles passing through CarCo dealers. This product penetration was measured by examining the motor vehicles securities register to see who had securities against the car. Dealer performance, the type of product sold and the direct results of certain marketing campaigns can also measure this.

Break-even was achieved in six months, as opposed to the initial estimation of one year.

**Table 4.14: Collaborative Outcomes for Case 9**

<i>Nature of outcome/ objectives</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance*</i>	<i>Achievement</i>
<b>Financial criteria</b>				
Focal firm	C9 F1 R1 INT1	Profit	5	7
	C9 F1 R2 INT1	Profit	6	7
Partner firm	C9 F2 R1 INT1	Profit	6	6
<b>Market-related criteria</b>				
Focal firm	C9 F1 R1 INT1	Level of new business	6	6
	C9 F1 R2 INT1	Product penetration	7	5
Partner firm	C9 F2 R1 INT1	Strengthening brand	5.5	6
<b>Service to channel</b>				
Focal firm	C9 F1 R1 INT1	Dealer satisfaction	6	6
	C9 F1 R2 INT1	Service to dealer	7	5
Partner firm	C9 F2 R1 INT1	Adding value to dealer network	6	6
<b>Partner-related</b>				
Focal firm	C9 F1 R1 INT1	'Comfort' in relationship	6	6
Partner firm N/A	—	—	—	—

Both dealer support and satisfaction had impacts on the profit levels experienced by the joint venture and were crucial in reaching new levels of business. The ability of the dealers to capture and retain clients relied on a detailed understanding of the system. The products were presented to the dealers in a manner that ensured ease in resale. If the client database and the system worked well, the customers would receive telephone calls when they were ready to repurchase. One of the great advantages of the joint venture was its size and the consequent ability to retain clients as purchasers of CarCo vehicles. It encouraged customer loyalty.

The service levels provided to the dealers were consequently an important outcome. Dealer satisfaction was measured by lack of complaints through the informal complaint process. There was no formal track of response times. Service response times were, however, very important and poor response times were discussed at previous dealer meetings. On a worldwide basis, New Zealand was given an average dealer satisfaction rating of 61–62%.

CarFin strengthened and added value to the CarCo brand by filling a gap in the total product offering—the finance operation complemented the approved warranty, CarCo

service plan and CarCo insurance. Another key benefit of the partnership was the infrastructure and added client base that FinCo provided. The joint venture provided up-to-date financial products and added value to the dealer network by providing a branded finance package that had the integrity of CarCo behind it.

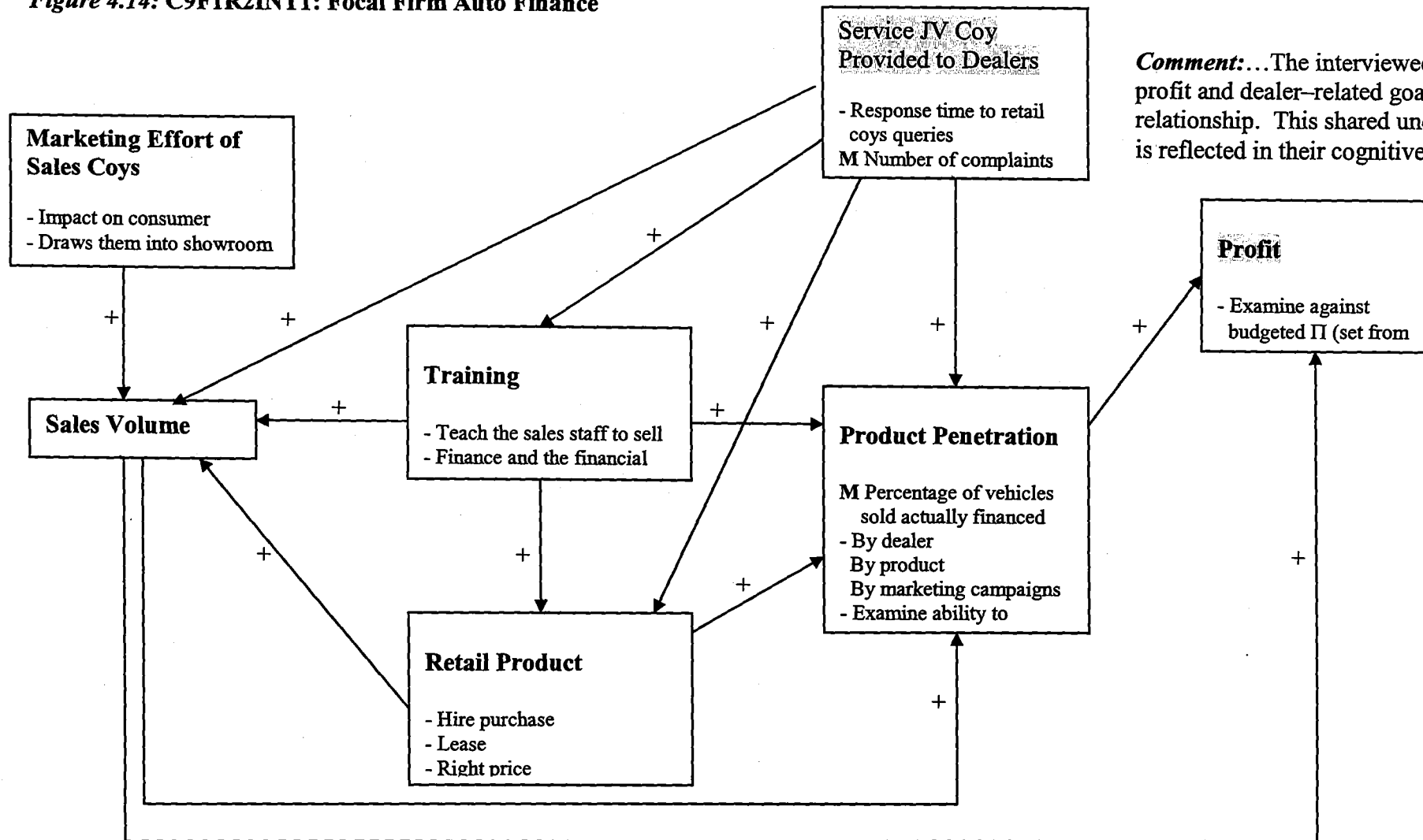
The products were competitive and innovative. Profit was achieved as a result of this. The success of the partnership was also due to the fact that everything was done on an equal basis with both partners introducing equal skills in different areas. Although the relationship and looking after the clients were the major concerns, profits flowed as a natural extension of these factors running smoothly.

Among other factors, the cognitive maps of the interviewees shared profit and dealer-related goals. These maps can be seen on p.227–229.

By all accounts, the joint venture was successful and had no flaws in its day-to-day operations. It exceeded partner expectations in all areas and functioned with an efficient overhead structure. The partners did not want to terminate the relationship. The final outcome was a directive from CarCo AG, strongly supported by the managing director based in Australia. The significance of this action is explored further in a discussion of global–local tensions in Chapter 6 at 6.2.2.

The association allowed FinCo to benefit as a small player in a large, competitive market. FinCo learnt the value of branding and marketing within the CarCo environment. With the relationship still fresh in the minds of industry, FinCo have moved to establish a similar alliance with another car manufacturer. This has been made easier by the recognised association with CarCo.

Figure 4.14: C9F1R2INT1: Focal Firm Auto Finance



*Comment:*...The interviewees shared profit and dealer-related goals in this relationship. This shared understanding is reflected in their cognitive maps.

Figure 4.15: C9F1R1INT1: Focal Firm

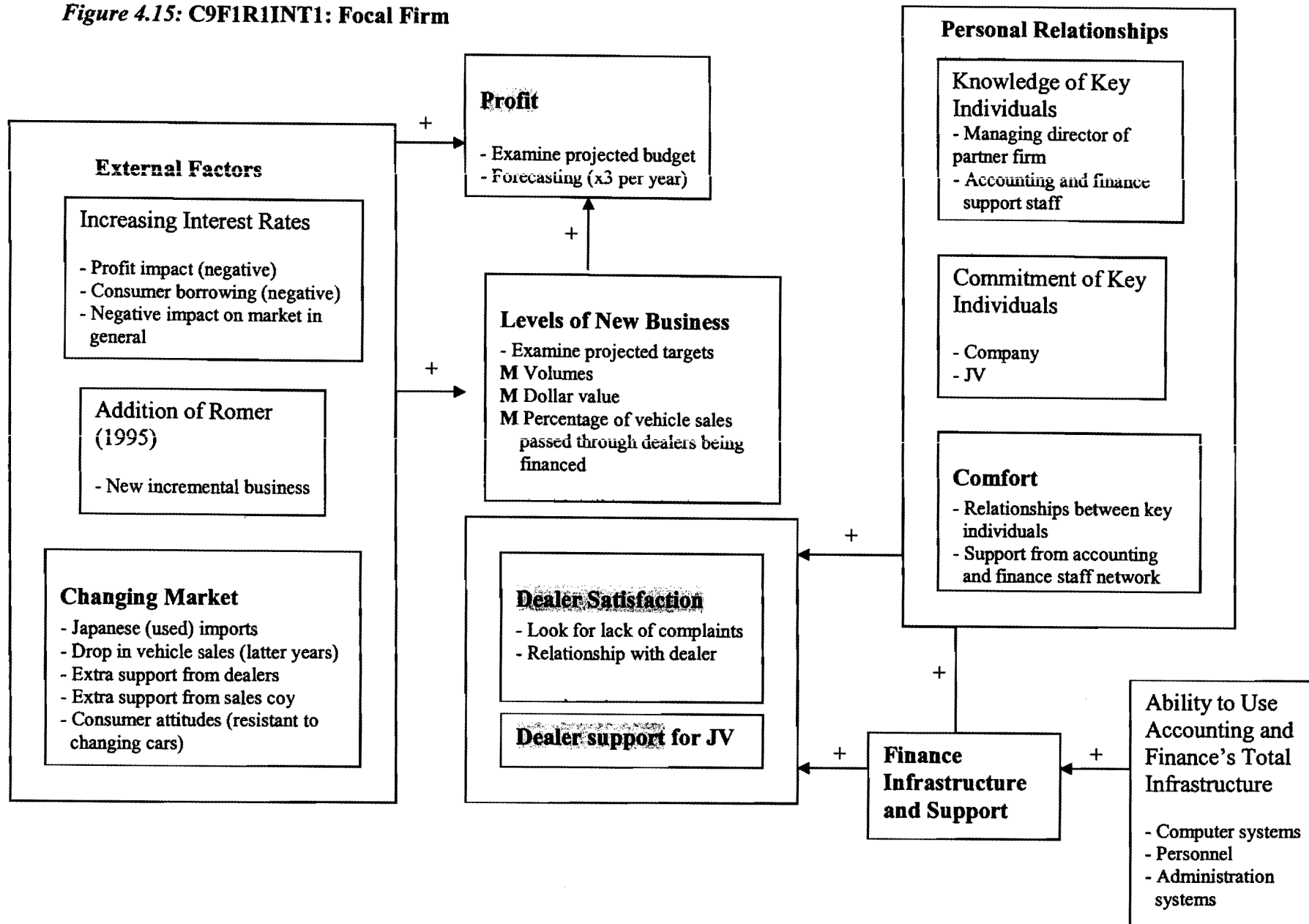
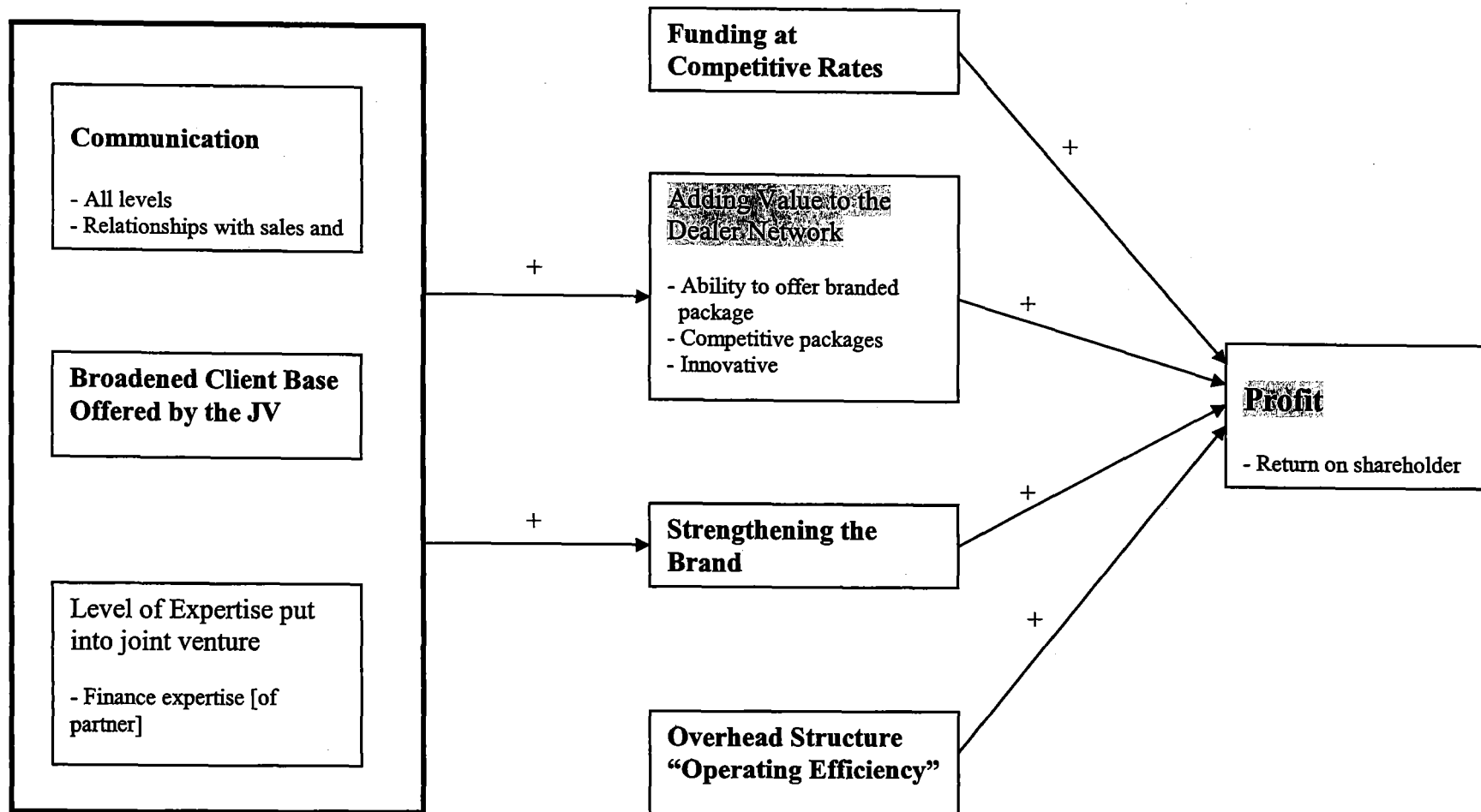




Figure 4.16: C9F2R1INT1: Partner Firm



Strategic Logic

This collaboration was characterised as exhibiting *complementary logic*. An understanding of the partners and the background to the relationship support this view. The focal firm demonstrated significant product knowledge and experience; the partner provided the necessary financial knowledge required to undertake collaborative activities. Whilst the interviewees listed a range of activities, at least two were listed by all—leasing and dealer funding. This reflects a shared understanding of the core activities. The ratings provided for these two activities can be seen in Table 4.15.

Table 4.15: Activity and Contribution Ratings for Case 9

Activities	Importance		Contribution (%)	
	Focal	Partner	Focal	Partner
Leasing	6.5	7	60	49
Dealer funding	4	7	85	51

Even though experience ratings were not provided, the focal firm expressed the benefit of the relationship in gaining experience in leasing and dealer funding:

“[The focal firm] felt that in the short term we would be better off initially ... going with a joint venture operation ... just given the size of the market and the lack of experience ...” (C9F1R1INT1)

The partner firm summarised contributions to the joint venture as follows:

“CarCo had the product, the retail network, the brand, the dealers and FinCo had the [financial] expertise and the infrastructure ...” (C9F2R1INT1)

Technology

Whilst the joint venture’s core activities are leasing and dealer funding, its classification as a high-technology relationship warrants some consideration. The main activities involve very little use of technology; however, financing options are likely to be supported by the use of computers and software. This would not be considered high technology.

### **Geographic Scope**

The joint venture was set up among two NZ-based firms. The focal firm's parent company, however, is based in Germany. A complicating facet of this relationship has been the impact of the focal firm's parent company on the final outcome of this relationship. These factors will be outlined in discussions to follow.

### **Context**

#### *CarCo AG/NZ*

CarCo AG was founded in Europe during the early 1900s. It is the worldwide holding company for the sales, finance and insurance operations of the group. CarCo AG were involved in financing cars, and decided to extend the business in the early 1990s. The European market was predominantly expanded with joint ventures and a few subsidiaries. Joint ventures were initially considered a more feasible mode of entry, as CarCo AG did not possess a great deal of finance expertise.

The financial services arm has now outgrown the automotive side of the business, and includes strong insurance and banking operations. CarCo Financial Services Limited is now a significant operation worldwide with assets over DM400 billion.

The first CarCo vehicle was imported into New Zealand in 1968. In 1983, CarCo NZ was established as a subsidiary of CarCo AG to import CarCo products into New Zealand. CarCo NZ specifically carries out the business of importing vehicles and spare parts into New Zealand for supply to CarCo dealers, maintains and supports a dealer network throughout New Zealand and undertakes related activities such as the provision of funding to CarCo dealers. CarCo NZ experienced rapid growth during this period through to the 1990's.

From CarCo NZ's point of view, one thing was lacking: finance to complete the total product package on offer. CarCo NZ saw the need to provide stronger support to dealers with floor-plan funding for the vehicle stock. The concept of a finance venture for CarCo NZ began in the early 1990s. In 1992, CarCo NZ had a relationship with AGC Finance which had met with limited success.

The Romer group joined as an operating division of CarCo NZ in 1995. New Zealand is the only country where CarCo and Romer are sold in single-entity dealerships.

Although CarFin support the purchase of any car, packages are designed specifically to provide easy access to finance for CarCo and Romer customers. Finance deals are also conducted on CarCo motorcycles.

CarCo AG conducted the last dealer–customer satisfaction survey in 1998.

### *FinCo NZ*

FinCo provides finance, vehicle leasing facilities and floor-plan funding to companies and individuals in New Zealand. It has links with the motor vehicle industry which date back to 1952 when it first operated as a rental car and van operator. FinCo is not a large motor vehicle financier, but it is well established with a good reputation in the industry. It is a specialised niche operator in motor vehicle finance and leasing. Any other business that it has gained through existing customers is secondary.

Motor Fleet is the subsidiary of FinCo that deals with operating leases. It was the second lease company to operate in New Zealand. At this time only two other companies offered this type of lease. The emergence of the vehicle finance industry was seen as an opportunity in the late 1970s and early 1980s. By this time, FinCo was concentrating on vehicle financing and leasing.

FinCo was originally owned by CIL. A director in CIL was also a large shareholder in a well-known Auckland CarCo dealership. FinCo had close relationships with a number of other CarCo dealers in Auckland. These relationships were particularly substantial, in that 70% of FinCo's vehicles are sold within a 200km radius of the city. The managing director of FinCo knew that FinCo NZ wanted to form a partnership within the finance sector, but did not know any of the key staff at the Auckland office.

During 1992, FinCo's owners were experiencing some financial difficulty. At this time, CarCo NZ tried to purchase the Motor Fleet lease books off FinCo to provide a basis for the finance company within CarCo. The lease and hire purchase activities are separated for tax purposes. Acquiring this subsidiary would have enabled CarCo NZ to expand its client base by financing its own dealer network and other key customers. It would have gained the strength to operate a stand-alone finance venture. At this time another NZ firm took ownership of FinCo and declined to proceed with the deal before approval

was given from CarCo AG in Germany. FinCo regained stability under the new ownership.

After unsuccessfully bidding for Motor Fleet, the two firms trialled a branding exercise in which CarFin functioned as an operating division of FinCo. The focus of this exercise was the Auckland region.

### *Industry-related*

According to the interviewees during the early 1990s in New Zealand, where CarCo car sales were only 500, it was not possible to justify setting up a major stand-alone infrastructure where volume and efficiencies could not be achieved. Within this environment, customers were either arranging their own finance or dealing with another finance company.

The motor industry is regarded as highly competitive. The growth in Japanese imports in the past few years has had an impact on residual values<sup>9</sup> and brought down the price of cars in New Zealand. European cars have especially been affected after 1995. Tariffs lifted in 1998 have affected the finance company considerably.

Leasing is now a big business in New Zealand. The practice grew in the 1980s and now many corporate vehicles are owned on a lease basis. A few large lease companies dominate the NZ market. Even though lease companies have large databases and marketing expertise, the dealer effectively loses control of clients within the system.

Recourse and non-recourse finance are the two main types of finance options viable to the firm. FinCo provides non-recourse finance, a situation where the risk of the debt lies with the finance company so long as the dealer complies with certain requirements. The finance company has no callback on the dealer.

Most lease firms offer a variety of options. These include leases designed for private individuals, full operating leases for self-employed or professional people (also termed “contract hire agreements”), and other personalised lease plans.

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<sup>9</sup> Residual value is the worth of the car at the end of the agreement. This is calculated in various ways, depending on the type of lease option selected. Assessing residual value takes into account economic factors, competition, the product life-cycle and the business cycle.

With the various changes in the environment, markets became harder to penetrate, and more support was needed from the dealers to sell as many cars as possible. In turn, this placed pressure on CarCo sales to actually provide a greater level of support to the dealers. There was also pressure on the sales company to lift residual values and change lease rates to achieve a higher level of business. People were not as willing to buy new cars and most New Zealanders wanted to pay cash for their vehicles. Customers were slowly being encouraged to lease vehicles or buy on hire purchase.

Dealers are an important link in the chain of distribution, and a comprehensive finance package adds value to the dealer network. Dealerships with a finance and insurance person would be better at selling finance. Most dealers do not, however, have an in-house finance and insurance manager trained in closing techniques, selling the finance option and calculating values and cashflows.

In order to provide finance, dealers need to know and understand the different ways in which leases and hire purchases can be structured. Dealers were provided with an electronic finance package, but CarCo NZ did not conduct formal training. All training was provided on a need basis as the dealers and staff changed, often through contact over the telephone. CarCo NZ was required to provide a reasonable level of support and demonstrate superior communication skills.

### **Form and Formation Process**

CarCo NZ's entry into financial services involved the examination of three major options: creating a wholly owned company; buying the lease assets of an existing finance company; or forming a joint venture. The first option was not pursued due to a lack of resources and market demand.

FinCo was put forward by some of the key dealers as a possible partner. Even though the managing director of CarCo NZ had already started discussions with a Dunedin-based cooperative, FinCo was a convincing candidate. A key factor was FinCo's knowledge of the industry, the people it knew and its established relationship with CarCo dealers. The managing director of FinCo loved cars and was a CarCo fan. FinCo also brought a lot of expertise into the business, which helped to gain momentum in sales at the time.

Given the size of the market and CarCo's lack of experience in the finance area, CarCo AG felt that in the short term CarCo NZ would benefit from exploring the finance offering through a joint venture. This was despite the fact that CarCo AG had a preference for wholly owned subsidiaries in the finance area. The key was to form a joint venture in which CarCo could be the dominant partner. This necessitated forming a relationship with a company which was both flexible and able to adapt to the requirements of CarCo NZ.

FinCo was initially working for CarCo in the finance area, offering financial products to the dealers. This relationship continued until the time came when it was warranted to set up a more formal relationship and this gave CarCo NZ the opportunity to increase its knowledge.

With the requirements of CarCo AG in mind, a joint venture was set up. CarCo NZ had 51% and FinCo had 49% of the shareholding, and the chairman was from CarCo NZ. Competing finance companies such as AGC and UDC did not provide the same flexibility. The decision to formalise the partnership was made after another NZ-based firm acquired FinCo and provided the company with a greater level of security.

The main negotiators were the managing director and company secretary of CarCo NZ and the managing director of FinCo.

The key management team at CarFin included the chairman of CarCo NZ, the managing director of the company that had acquired FinCo, and the managing director of FinCo. The board consisted of two members from CarCo NZ and two from FinCo. The board met only once or twice a year, but the managing director of FinCo was effectively seen as part of the CarCo NZ management team. The level of communication and interaction reached a point where he was invited to attend CarCo NZ meetings.

An important determinant in the formation process was the fact that CarCo NZ had been interested in purchasing the lease books of FinCo and was already familiar with the way FinCo operated. A relationship built over time, driven by support from the dealers for an alliance with FinCo. Synergies of size, existing experience in vehicle finance, competent staff, and the fact that FinCo was a niche operator all acted in favour of the partnership.

Personal factors were also an important influencing factor in CarCo's decision. CarCo NZ was keen to liaise with a firm/person that fitted in well with CarCo's organisation. The managing director of FinCo essentially became part of the organisation: "...he became part of the CarCo family ..." (C9F1R1INT1). The managing director of FinCo had a high level of enthusiasm for cars that provided them with a major advantage, and additionally possessed a high level of industry knowledge. This was also recognised by the focal firm:

"I think one of the key factors to make the [joint venture] work was the knowledge that [FinCo's managing director] has of the industry" (C9F1R1INT1)

The main disadvantages of a joint venture were seen as being the need to share profits and the possibility that the employees may not all share the CarCo NZ team spirit.

CarCo AG took the risk and agreed to fund the venture without question. CarCo was able to write off some of the income received as a result. CarFin first borrowed NZ\$5 million for three years at 5.5%. Borrowing from CarCo AG was at interbank rates or better. The company still utilises the same line of credit as a subsidiary. Competitive funding from CarCo AG also had a major impact on the venture's success.

CarFin was run as a separate company in the offices of FinCo. The joint venture started in July 1993 and continued until the change in structure in 1998. CarFin Finance was (and still is) a legal entity in its own right. In its formative stages, one key employee was seconded from CarCo NZ. This individual was responsible for such things as dealer and new business development, and the quoting and settlement of lease cars.

CarCo NZ contributed the product, retail outlets, clients and marketing expertise. FinCo provided the systems, infrastructure and the basics that would be provided by a financier. The existing system was both finance- and vehicle-oriented, and FinCo took responsibility for the contracts, credit control, payment collection and preparation of the monthly accounts. Consequently, the systems of CarFin duplicate those of FinCo Limited.

A joint venture agreement established the expectations of each party and clarified the relationship considerably. The joint venture document was based on an agreement that



CarFin Great Britain had with its joint venture partner. This was modified for the New Zealand situation.

The agreement had a term of 4½ years and the contract termination date was 31 December 1998. Specifically, it outlined the purpose of the joint venture, formation details of the joint venture company, management of the company, services to be provided by each of the parties, and details associated with the term and termination date of the joint venture. The document also outlined guidelines for the payment of dividends to the FinCo shareholders and was later consulted when CarFin paid goodwill for a finance company operating through one of the dealers in Wellington. Details also included how the joint venture would be settled if the relationship was terminated and a buyout formula which allowed for smooth transition.

CarFin initially reported through to a group at CarCo AG. A director of financial services sits on the board of CarCo AG. The relatively small size of the NZ market, however, meant that the firm was left to its own devices and rarely had visitors from CarCo AG.

The motivation for a change in structure in 1998 resulted from a change in CarCo's operation within the region. CarCo NZ, initially reporting to Germany, was now required to report to Australia. The structure was regionalised and the managing director of Australia was also made responsible for the rest of the Asia-Pacific region. CarFin were setting up a global corporate structure. The world was split into four regions—Germany, Europe, North America and Asia-Pacific.

CarCo NZ, in conjunction with the managing director of the region, decided to exercise the buyout option with the conviction that there was no point in having a perfectly viable operation where 49% of the profit was being given to another party. Although individual opinions were involved to an extent, the main driving force was the aim of CarCo AG to have wholly owned subsidiaries—in fact, CarCo NZ was involved in the only partnership agreement worldwide.

The joint venture had a four-year term and it was bought out at the first opportunity. CarCo gave FinCo six months' notice at the end of 1997. FinCo was unaware of CarCo's intention, and based on past performance, had no reason to suspect that the contract would not be renewed. A financial analyst from CarCo Australia carried out a

trial run of the takeover. Problems were identified and resolved at this stage, and a price was agreed on.

FinCo were not happy with the decision, as it represented both a change in ownership and lost contribution to overheads. A request to continue with the relationship was not actioned in time and CarCo AG renewed their focus on having wholly owned subsidiaries. At this time achieving a unified structure with Australia was considered more important than maintaining high levels of profit, as this was in line with CarCo's philosophy.

The change in structure did create some problems for CarCo NZ and in disruption for dealers. Space had to be set up within the CarCo offices, and dealer support suffered slightly as systems were worked through. Staff were recruited to carry out the tasks of FinCo.

CarFin is still struggling from a systems point of view. Accounting systems have been adapted from CarFin Australia. All companies in the Asia-Pacific region are standardising their packages, and an IT manager has been appointed in Australia.

The terms and conditions of agreements with the dealers continue as they have done in the past, but the Australian office has given directives to loosen up credit terms and take more risk. Despite this, some large dealers have expressed dissatisfaction with CarCo NZ to FinCo and continue to do business with FinCo.

### **Partner Selection and Opportunity**

The purpose of the joint venture outlined in the joint venture agreement was to:

- provide credit, hire purchase, leasing and other financing facilities to CarCo customers and other people that both parties might agree on
- provide floor-plan funding and other financing facilities to CarCo dealers
- conduct other business that both parties may agree to.

The major purpose of the joint venture was, therefore, to function in the capacity of a vehicle finance company. It was specifically designed to provide vehicle lease, hire purchase and floor-plan funding to the dealers. Leasing was the most important contribution of expertise made by FinCo to the relationship. The contribution to dealer

floor-plan funding was predominantly from CarCo AG, through the New Zealand office.

CarCo AG provided all the finance for the finance company in NZ dollars, it carried the exchange risk and provided funding without question. CarCo AG continued to provide funding for the period of the joint venture. Funding the joint venture demonstrated a considerable level of faith in the management structure and its ability.

CarCo NZ viewed the relationship and provision of finance as an effective way to increase sales and retain customers. The focus and size of the joint venture allowed for greater control to be maintained over the client.

Although CarCo NZ had little experience in both vehicle lease and hire purchase, FinCo's level of experience was high in all of these areas and presented a learning opportunity for CarCo NZ. CarCo NZ was, however, particularly experienced in marketing, retail funding and dealer funding. FinCo had strength in administration and collections.

Specific activities in the relationship were capital provision, marketing, administration, collections, business acceptance, lease vehicle disposals and dealer liaison. Credit approval limits and systems are laid out in accordance with existing FinCo processes and systems. Credit approval and administration of the contract were important activities within the relationship.

CarCo NZ possessed the product expertise and was responsible for the front office—dealing with people, dealers, marketing and the management direction of the company. CarCo NZ also provided support and training to key personnel. This included some training and support of the dealer network.

FinCo essentially provided the back-office support—the computer systems, credit checking, credit follow-up and the company administration. It contributed the expertise to compile lease packages, complete technical aspects of leasing, provide lending side management and collect installment. FinCo had the capability to run the company more effectively than CarFin alone, and both companies mutually benefited from the critical mass the relationship provided.

A budget was prepared each year, and both three-monthly forecasts and half-yearly accounts were submitted through a reporting system to Germany. This was the responsibility of CarCo NZ.

The joint venture provided nationwide coverage. The funding of cars has a distinct geographic and demographic split. South Island clients are not as likely to finance a car and are more likely to pay cash. Even though over 60% of the sales and effort are in the Auckland region, the same level of service was provided all over New Zealand. FinCo had a sister company that acted on its behalf in the South Island. However, FinCo management visited all dealers at least once a year, and this relationship provided FinCo with access to CarCo clients in the South Island.

### **Relationship Dynamics**

The commitment of key individuals within CarCo NZ and FinCo was evident. Regional managers from Germany had also reiterated their commitment to the partnership, and recognised the fact that, given the size of the NZ market, it would not be beneficial to pursue any alternatives.

Comfort, knowledge and commitment were all present in this relationship. The interaction between management in CarCo and FinCo was an important factor in the success of the relationship. CarCo went to a lot of effort to ensure that the top management in FinCo was made to feel like part of the CarCo team. The management of CarCo NZ felt a sense of loyalty to FinCo. The managing director of FinCo was part of the CarCo family, and fitted “the CarCo mould”:

“[He] is a car nut and got on very well with us ... He was the sort of person who fitted in with the CarCo mould and he had the same sort of business values and ethics that we had ... We were pretty happy to climb into partnership with him.”  
(C9F1R2INT1)

The whole venture revolved on a few strong relationships that developed among local top management in both firms. These personal relationships were considered more critical than the success of the joint venture in profit terms. This made the consequent dissolution more painful.

As one respondent commented:

“We were comfortable with the people and FinCo had a good name in the financing market ... We always felt a loyalty to FinCo ...” (C9F1R1INT1)

The ability to use the infrastructure of FinCo had a positive impact on the relationships. Support from other FinCo staff was also crucial. The relationships were strong enough to overcome any major problems, whereas weak relationships may merely have been compounded if there were problems in the infrastructure and systems. Communication was important at all levels in FinCo, CarFin and CarCo Sales and Marketing.

In its early days, the joint venture document also helped the relationship. Despite the existence of the option to purchase FinCos’ shares, FinCo were disappointed that the option to buy was exercised. No attempt was made to provide FinCo with prior warning.

Although there was no major adverse reaction from the dealers, they were not happy with the collapse of the joint venture. FinCo management had built personal relationships with many of the dealers. Dealers expressed their dissatisfaction with the new situation to FinCo prior to principal–dealer meetings. FinCo have not approached the dealers directly but have picked up any business not conducted by CarCo Finance.

One of the few problems in the relationship was created when the credit controller from FinCo was hired by CarCo Finance after the joint venture was terminated. This was not discussed adequately with FinCo management and caused some temporary discontent, but as the FinCo interviewee added:

“It would be doing an injustice to the relationship to bring up the staffing issue.”  
(C9F2R1INT1)

During the association there was never a cross word or disagreement, as one interviewee said:

“[Our] memories are of a totally harmonious relationship.” (C9F2R1INT1)

Ultimately, when CarCo Australia got involved CarCo NZ knew that the joint venture would not survive. CarCo NZ tended to concentrate on the people, dealer levels of support and personal relationships. New Zealand are a small part of the Australian portfolio and the major concern of the regions newly appointed managing director was

seen as being the bottom line and turning this operation into a wholly owned subsidiary. Some of the comments made about the new managing director included:

“He is seen as a very clever man who always believed that CarCo NZ should have been a subsidiary of Australia... Right from the beginning [he] was looking for ways to shut FinCo out of the dealers and information.” (C9F2R1INT1)

It was the belief of both the partners that the best thing for New Zealand was for the relationship to continue. The partners felt relaxed with the arrangement and did not want to change the structure. In the five years of involvement, a great deal of affection has developed between the partners. This feeling of closeness is shared by both firms and appears to continue regardless of the directive from Germany:

“[There were] no problems with the relationship, no problems with FinCo at all ... it was just a straight business decision ...” (C9F1R2INT1)

“What was best for New Zealand was to leave [the joint venture] as it was. The thing worked well, it made excellent returns, we were happy, they were happy, so it was outside interference that got in the way of everything ...” (C9F2R1INT1)

The key employees were totally focused on the venture, and it worked well for both parties. Communication and the level of expertise put into the relationship influenced the positive outcomes.

### **Managerial Perceptions**

Personal relationships have had a major impact on the general success of the joint venture, the levels of dealer satisfaction and new business. New business has also been influenced by external factors, such as the addition of Romer to the CarCo Group in 1995 and the changing NZ vehicle market.

According to the interviewees, other factors also contributed to the effective operation of the joint venture, including the contribution of a high level of expertise, a broadened client base and high level communication among key individuals. These all resulted in value creation and a strengthened CarCo brand, which influenced profit positively. The ability to link in and utilise the infrastructure of FinCo has also had a positive impact.

Despite the success of the relationship, FinCo expressed some concern that CarFin had not learnt that above all else it is important to have a good service, and the only way to enhance value is through the provision of an exceptional service.

The best scenario for New Zealand, however, was to keep the relationship intact—it functioned well, made excellent returns and the partners were happy. It was outside interference from the Australian regional office and CarCo AG that finally led to the termination a successful alliance.

“We felt that because of the size of the New Zealand operation, that it would stay a joint venture ...” (C9F1R1INT1)

### Summary

The success of this venture was strengthened by many factors, including a *dedicated structure* and *dedicated employees*, and the *expertise of the partner firm* in the key collaborative activities. However, the joint venture was *dissolved* and a buyout option was exercised. These actions were carried out despite the success of the venture and the wishes for its continuance on the part of the two local partners. This case illustrates the *impact that international interference can have on a local partnership*. In this case, the joint venture was discontinued despite its recognised success.

## **CASE 10: INSURANCE BROKERS**



### CASE 10: INSURANCE BROKERS

This was a consortium formed by several insurance brokers operating in New Zealand. The relationship was characterised by complementary logic, high technology and a domestic focus. This relationship was intended to provide small brokers in Auckland with the same buying power as the larger firms which had begun to dominate the market. The collaboration was dissolved before it could achieve this purpose, however.

#### Outcomes

Most participants had a clear idea of how success was to be measured:

“Success would have been measured on two levels—whether collective income would have increased over a period of time and what sort of market penetration could have been achieved.” (C10F2R1INT1)

Key objectives outlined by the respondents are summarised in Table 4.16.

While income generation was seen as a major outcome for the group, market penetration was considered as more important for some firms than others. The relationship ultimately had to result in a profitable level of business for both the insurers and the consortium members. An adequate volume of business would have had to be generated in order to achieve this.

Durability and integrity of the process were also seen as important. Positive personal relationships, economies of scale and increased buying power were contributing factors to this. In addition competitive pricing and administrative efficiency were required to sustain the relationship. Integrity and honesty were also considered to be critical by other respondents.

#### Strategic Logic

This collaboration was categorised as exhibiting *complementary logic* in the sampling frame. The firms within this proposed collaboration were all of varying size and concentrated on different aspects and clients within the insurance market. A complementary logic classification would probably have been made on this rationale.

**Table 4.16: Collaborative Outcomes for Case 10**

<i>Nature of outcome/objectives</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance*</i>
<b>Financial criteria</b>			
Focal firm	C10 F1 R1 INT1	Level of administration	6
Focal firm	C10 F1 R1 INT1	Commissions	7
Partner firm 1	C10 F2 R1 INT1	Increase in collective income	6
<b>Market related criteria</b>			
Focal firm	C10 F1 R1 INT1	Premium volumes	7
Partner firm 1	C10 F2 R1 INT1	Increase—market penetration	5
Partner firm 2	C10 F3 R1 INT1	Total size of pool	6
Partner firm 3	C10 F2 R1 INT1	Feedback from market	—
<b>Partner related criteria</b>			
Focal firm	C10 F1 R1 INT1	Wording—trust in contract	5
Partner firm 2	C10 F3 R1 INT1	Personal relations	7
Partner firm 2	C10 F3 R1 INT1	Integrity of process	7
Partner firm 2	C10 F3 R1 INT1	Durability—commitment	7

The firms produced varying and predominantly non-comparable listings of collaborative activity. The sole shared activity was the bulk buying of insurance.

### **Technology**

The collaboration was noted as involving a high use of technology. On closer examination, this does appear to have been the case. One possible reason for this classification might be associated with the future of the insurance industry. One interviewee in particular highlighted the likely impact of electronic transfer of data within the insurance industry and suggested that many software firms were focused on this application. Despite this, the collaboration's core purpose—bulk buying—would have been a low-technology activity.

### **Geographic Scope**

The collaboration was to have had a domestic focus. Some of the firms, however, had connections in other overseas markets. This was particularly true of the key instigator in this collaboration, who—many felt was motivated by a directive by his overseas affiliation to “grow his business in New Zealand”.

## Context

### *General Industry*

The Incorporation of Insurance Brokers and the Insurance Brokers Association are key trade organisations in this industry. While there are no regulatory costs associated with insurance, the NZ market is customer-based, and the consumer is protected with simple legislation to ensure that the insurer meets any loss suffered.

The complexity of insurance as a business requires some degree of customisation to meet the market. For these reasons customers tend to ask for insurance advice as opposed to actually requesting a product. The role of the broker extends to risk analysis and management. The general industry remains reasonably unstructured, and, while pricing is considered to be important, a key determining factor appears to be personal relationships:

“You place the business based on the service and respect you get from the company but it comes down to the individual.” (C10F3R1INT1)

Insurance brokers in New Zealand are estimated to have a net profit of between 40–50% of turnover. This surpasses interviewee estimates of turnover in both Australia and the United States. The insurance industry is comprised of four to five international houses and 280 owner-operated brokering houses of various sizes. Ninety percent of the brokering houses are estimated to have premium incomes of less than NZ\$5 million. Fifty percent of the premium written in New Zealand is written through the international houses, the remaining amount is through the owner-operated businesses. The Auckland market accounts for about 70% of the total market of roughly NZ\$1 billion. The consortium collectively held a 10% share of the Auckland market.

During the mid-1990s mergers and acquisitions in the industry were creating additional competition. Even though consolidation is an accepted practice, an amalgamation of six firms resulted in the presence of two dominant players in the market. This created some further reshuffling within the industry. These changes affected the market rates, and essentially firms were continuing to compete in an environment where rates were decreasing.

At this time there was some speculation that the entire industry was going to consolidate. The future of smaller brokers looked bleak, and the popular view was that

smaller brokers needed to work together to provide specialist services. Despite these sentiments, industry consolidation did not take place.

While competition in the industry was strong, many participants felt that business ethics were high. The clients of other insurance brokers were not approached by competitors. A collegial sharing of information was also apparent among the participants. The market share of many brokers is small, and there is often very little chance of encountering another broker's clients.

#### *Aon Risk Services NZ Ltd*

Aon is one of the leading insurance brokering and risk management services organisations in New Zealand. It provides a broad spectrum of risk management services and draws on the intellectual capital of its global operations. Growth through mergers and acquisitions provided the group with considerable global power. In 1996, Aon entered the New Zealand market with the purchase of a local brokering company. Expansion continued through to 1997, at which time the company had 250 people nationwide. It had, by this time, become New Zealand's biggest broker.

A further catalyst to the consortium formation was provided by Aon's proposed entry into the NZ market. This large international firm had negotiated attractive commission rates with insurers.

#### **Consortium Insurance Limited**

Numerous insurance brokers were operating in the Auckland region in the 1990s. Many brokers were small owner-operated firms. All the firms differed in size, brokerage and commission.

During this time the industry was undergoing a continuing process of mergers and acquisitions. Internationally, Aon had entered the market and had become the world's largest retail insurance broker. This created some apprehension globally. Their entry into New Zealand caused further concern in the local market.

In 1996 one Auckland-based insurance broker tried to initiate a cluster designed to facilitate joint marketing and provide bargaining power to small brokers in the Auckland region. Its goal was to maximise income. This early initiative was not

successful, and the firms concluded that the best advantages were to be gained through informal collaboration.

In the late 1990s a key individual in InsCo resumed work on the idea of a joint insurance brokering organisation. While the first attempt had focused on marketing and demand, the second attempt at collaboration concentrated on supply and the consolidation of what was acquired from the insurers. This was seen as a potential opportunity that could provide small brokers with a competitive advantage against firms such as Aon.

Further advantages were seen in collectively dealing with the software firm dominating the market for insurance brokers.

With the support of InsCo internationally, InsCo began selecting potential collaborative partners and arranging meetings to discuss the venture further. Similar collectives had been instituted in both the United Kingdom and Australia. Partners were selected on the basis of past experience. Nine firms were selected as consortium members at this stage. InsCo was the only broker in the consortium with international connections.

At this time InsCo was taking over another firm, Eastbays. This acquisition diverted the firm's attention to the point where the prospect of dealing with differing cultures and another organisations' needs began to create difficulties.

Although the industry was considered competitive and firms understood the potential benefits to be gained through collaboration, most wanted to retain a degree of independence.

### **Form and Formation Process**

While InsCo initiated the second attempt at collaboration, others members of the group had previously tried to initiate a similar venture. A number of individuals had independently concluded that a group was necessary in the environment that prevailed. These views were voiced at an initial meeting of potential partners.

The key objectives were agreed to at the preliminary meetings without any significant dissent. The process of formulating a bulk-buying arrangement required each broker to suggest its favourite supplier and pool its resources.

Many participants knew each other and had collaborated previously. A key advantage was that the majority of participants were in owner-operated businesses and understood the difficulties inherent in the work.

While some partners were not affected by InsCo's presence in the proposed consortium, others were not happy with InsCo's extensive international connections. InsCo was viewed as being too anxious to grow, a threatening prospect for many of the smaller firms.

Each participant was required to contribute NZ\$500 paid-up capital and contribute to the company formation. One participant failed to do this. After a few meetings, the number of participants fell.

Functionally, the brokerage and premium income from each company was to have been placed in a pool, eventually to be managed by an appointed manager. Details of how the pool would be divided were not finalised.

Financial details were to have been finalised during 1997, and a basic agreement was to be drawn up in the first month of operation.

### **Partner Selection and Opportunity**

Market changes and the entry of larger players created some insecurity among smaller local brokers and provided a major motivation for collaboration. The main concern was that larger parts of the insurance supply market were going to be denied to them. The creation of a pool similar to that instigated by Aon was seen as the best defence.

The relationship was designed to group together a cluster of Auckland-based insurance brokers with the objective of approaching underwriters to negotiate mutual benefits they could offer to the group. The end goal was to achieve increased brokerage through this synergy.

The main aim of the group (Consortium Insurances Limited) was to use the combined power of the group to negotiate preferential rates. It would have enabled bulk purchasing power, common branding, advertising and the resultant economies of scale. Extensive policy coverage was seen to be a major advantage. The consortium was to market the benefit of consolidated portfolios to both the public and insurers.

Consortium Insurances Limited was to have approached the insurance markets as a group requesting more attractive insurance terms based on the collective bargaining power of the pool. This was to have been the responsibility of a committee. The consortium was to have covered all types of insurance products, with the emphasis on consolidating the domestic books—car, house, contents etc. The two main divisions were personal and commercial lines.

Cheaper bulk rates were to have provided the group with the ability to tailor insurance packages more competitively. A major activity was the provision of specialist services such as risk management, financial planning and software development. Buying power and policy coverage remained the key activities.

While this was a recognised emphasis, most brokers conducted a large proportion of this business in commercial insurance. Some of the larger firms were not involved in personal insurance; many of the smaller firms dealt with affinity groups, owner-run businesses and personal clients. The geographical dispersion of the key participants would have allowed for adequate Auckland-wide coverage. The negotiations did not reach the stage of assessing the contribution of each firm to the main areas of concentration.

The experience of the firms was comparable and the relationship would have enabled access to the resources and services provided by other organisations. Although the collective demonstrated a wealth of insurance industry experience, the firms lacked bulk-buying expertise. Experience in marketing activities also varied between the firms.

The firms anticipated equal contribution to the relationship's key activities based on the commitment of the participants.

As the process developed further, differences in motivation became evident. Individual interests ranged from identifying a successor, to protecting and/or expanding markets. The discussion of key targets and objectives produced more apparent differences between the firms. Two key differences were highlighted. First, while many of the brokers had collaborated in the past, they were all competitors at some level and some interviewees were suspicious of the motives of their partners. Secondly, the relationships between individual brokers and insurance companies varied. This created

some problems in ascertaining a list of preferred suppliers (discussed in detail later in the case study).

A major insight gained through the negotiation process was that the insurance market would provide competitive rates to individual companies as well. This was particularly true for the larger brokers in the group, but also provided some disincentive to the collaboration on the part of the smaller firms.

Overall, this relationship was seen as an extension of many personal relationships that exist in the industry. It was to have provided smaller brokers, who often feel more isolated, the opportunity to exchange ideas and information.

### **Relationship Dynamics**

A degree of commonality was necessary for the relationship to progress. Although this was apparent, various relational factors contributed to the discontinuation of the collaboration. Despite the fact that commitment was seen as an important factor necessary to maintain the relationship, interviewees thought this was not demonstrated adequately. The lack of autonomy—which resulted from the level of commitment required to facilitate the relationship—was considered to be a contributing factor. Existing relationships and arrangements with the marketplace had to be revised.

Industry perceptions of the key players in the consortium were also seen as being important. The relationship did not, however, progress far enough to actually determine if any personality clashes existed.

The interviewees felt the dynamics of the relationship demonstrated a reasonable amount of trust. Commitment to the relationship entailed an unwritten obligation not to attack the portfolio of the other brokers. The fact that firms would have to divulge commercially sensitive information was not considered to be an issue of concern to many participants. While a general feeling of trust was apparent among the participants, one respondent questioned the integrity of InsCo's motives in the collaboration, and felt that InsCo's primary concern was in identifying firms for acquisition once relationships were established.

Joint marketing was also not considered to be a possibility by some of the firms:



“The firms would not have wanted to do joint marketing because they would not have wanted to give their marketing secrets away.” (C10F1R1INT1)

External relationships with insurers also produced a stumbling block. Each broker maintained strong relationships with preferred insurance suppliers. Joining the consortium would have resulted in some firms having to release the services of firms and underwriters with whom they had previously worked. Modifying close relationships with providers and other brokers was a disincentive to the formation of the consortium.

The relationship was based on achieving synergy and gaining the best resources from a variety of specialists. While this was recognised as important, it was not achieved. Factors complicating the consortium resulted in a lack of cohesion, and participants began walking away. Participants appeared to lack the trust and commitment necessary to make the consortium work:

“To formalise it actually demands a level of commitment and there wasn’t that will to put that level of commitment into it.” (C10F2R1INT1)

Although the consortium did not proceed, informal meetings and the exchange of ideas continue.

### **Managerial Perceptions**

It was felt that one of the overriding reasons for the relationship not going ahead was the fact that the participants were all “strongly motivated individuals who found it difficult to support each other” (C10F1R1INT1).

As one respondent commented:

“Our strength is in our individualism not in collectivism ... The biggest single factor against the idea was the individuality of the people—if you were ready to lose this you could go and work for State Insurance or NZI ...” (C10F3R1INT1)

Other comments supported this view:

“A customer is attracted to personalities ...” (C10F2R1INT1)

“You need to understand the psychology of brokers in New Zealand—they are predominantly owner-run, with individuals who have come out of corporate environments but hate them; their success is due to individualism rather than co-operation.” (C10F2R1INT1)

As another interviewee commented:

“[In the end it was like] being married to someone who had a different culture to us ...” (C10F1R1INT1)

The loss of individual control was seen as a major disadvantage. The key marketing advantage was thought to be in the personal service that was provided by smaller firms. A consortium relationship did not allow this key advantage to be retained. Externally, the relationship was not supported by either supplier or customer demand. Hence, the decision not to continue was seen as inevitable by many participants. Respondents came to realise that the relationship would not have provided any real benefit that could not be gained by well-resourced and capitalised individual firms. Interestingly, the maps all highlighted the level of commitment and possibility of attaining greater buying power as important factors in the collaboration.

### Summary

This case demonstrates the importance of *strong commitment* and *trust* to the *establishment and continuance of collaboration*. In this instance it also appears that the decision to *collaborate with competitors* produced some suspicion of partner motives in this relationship.

## **CASE 11: PROPERTY DEVELOPERS**

### CASE 11: PROPERTY DEVELOPERS

This was a limited liability company set up to facilitate commercial property development in New Zealand. The joint venture involved cooperation between two Auckland-based firms. DevelCo was formed by individuals in PropCo and BuildCo to provide a platform for joint funding and for the development of property investments. The relationship was characterised by cumulative logic, a low use of technology and a domestic focus. It was a successful venture.

#### Outcomes

This collaboration was classified as an above-average performer in the sampling frame. Comments made by both interviewees reflect the importance of profit as a major objective of the relationship, and this has been achieved satisfactorily. The joint venture also succeeded in decreasing risk and spreading the workloads within projects that functioned under both time and resource constraints. A reconciliation of partner borrowings against the joint venture was conducted informally, and the final balance owing has not been discussed further.

The last project conducted within the joint venture was in 1996. This was successfully concluded with substantial retained profits.

#### Strategic Logic

This relationship was characterised by the focal firm as demonstrating *cumulative logic*. An assessment of the interview information confirms this. Both firms in this relationship had considerable property development expertise in the Auckland region. The partners contributed an equal amount of money into the venture.

#### Technology

This collaboration does not involve the use of technology.

#### Geographic Scope

This relationship is between two Auckland-based firms. It has primarily involved projects within the Auckland region. Individually, the firms conduct other business outside this geographic area.

## **Context**

### *PropCo*

PropCo is an Auckland-based company involved in property development. The firm specialises in smaller projects that involve seeing the development through the construction phase. The majority of projects have been conducted independently of other firms. A key individual is the managing director of the PropCo, who was heavily involved in the joint venture. PropCo operate with in-house builders and project workers.

### *BuildCo*

The managing director of BuildCo, is an Auckland-based property investor. The firm had considerable marketing and project coordination expertise, but purchased construction expertise. One in five projects was conducted jointly. BuildCo predominantly source outside contractors to complete projects on a “need” basis.

BuildCo is involved in over 30 companies. Although BuildCo operates primarily in the Auckland region it has interests in Rotorua, Thames and Taupo. BuildCo also has a project in Sydney. One of its larger developments is the Griffins Distribution Centre in Papakura.

### *Industry-related*

The Auckland market for low-cost residential development is considered to be reasonably competitive. For this reason, greater effort is being placed in the light industrial area.

The interviewees expressed the view that the property business in Auckland is based on personal contacts. This, in itself, provides a major influence on the acquisition of business.

## **Form and Formation Process**

PropCo initiated the relationship. During the early 1990s PropCo had the option to purchase a site in Auckland City. At this time BuildCo had a tenant who also wanted the site. The two firms were faced with either cooperating to secure the land, develop it and

then tenant the property, or to compete. The firms had no prior experience in collaborating, and the personal relationship between key individuals was limited.

Nonetheless DevelCo, a limited liability company, was formed between the two firms. It became a three-way agreement between PropCo, BuildCo and another individual in PropCo. The partners each contributed equally at the outset, and arranged sufficient banking and borrowing facilities.

Subsequently, the third partner decided to pull out of the arrangement. The venture proceeded with the same company structure and BuildCo and PropCo continued to collaborate on various property developments.

In addition, the relationship allowed both firms access to funds from the company on a "need" basis. This enabled the partners to borrow for specific projects.

Meetings were conducted informally between the key individuals when necessary.

### **Partner Selection and Opportunity**

In this case the needs of a prospective client (that is, the tenant) provided the major motivation for collaboration. The main activity of the relationship was to enable effective property development work. The limited number of opportunities that were feasible for any one firm to embark on represented an opportunity for the partner. This essentially enabled the completion of projects within the joint venture that each individual firm may not have been able to finish alone. Joint resources and project management capabilities also allowed reduction of risk.

The joint venture company has not specialised in any one type of development. Projects have been completed for commercial, residential and industrial properties. The first project completed within the relationship was in 1994. This involved the purchase of land to build a series of industrial units, a project that BuildCo bought to the venture. BuildCo was involved in the land purchase. The other partners acquired resource consents, completed the building and ensured occupancy. The division of roles in this and other projects, allowed each firm to specialise in activities that reflected their areas of expertise.

### **Relationship Dynamics**

Contact is maintained between the two firms on an informal, irregular basis. The main points of contact are based on one partner bringing a project into the joint venture.

The relationship has generally functioned well. Some tension has been created surrounding money that was borrowed from the joint venture by one partner. The monetary tension has not led to a downturn in the relationship, however, and the final balance owing has not been discussed further.

Both firms believe that they would still work together in the future if there was compatibility in project requirements. Although the company has not been dissolved, no collaborative work has been conducted for some time.

### **Managerial Perceptions**

The relationship was seen to fulfil a valuable function in the Auckland market conditions. The business was structured to work on a project-by-project basis, an arrangement that allowed each firm the flexibility to conduct work independently.

The relationship was viewed as being far less important to PropCo than to BuildCo. PropCo had three times the turnover of BuildCo and only carried out approximately one in ten projects through the joint venture. BuildCo channelled one in five projects through the joint venture.

The sole source of tension in the relationship was created by money borrowed from the joint venture profits by both firms.

No cognitive maps were completed for this relationship.

### **Summary**

This case provides an example of a collaboration where a simple purpose essentially enabled an uncomplicated relationship to develop between the partners.

## **CASE 12: SHOPFITTING**



### CASE 12: SHOPFITTING

This was an agreement between a New Zealand shopfitting firm (FittersCo) and a Christchurch-based architect (ArchitectsCo). The relationship was characterised by cumulative logic and a low use of technology. It maintained a domestic focus, and was classified as below-average in the sampling frame. The firms in this relationship provide a service and products of high quality in the NZ market for the design and manufacture of retail interiors. Both firms recognise the importance of retail interiors in increasing the turnover of businesses.

The relationship was being scaled down at the time of these interviews.

#### Outcomes

This relationship was categorised as below-average in the sampling frame. The firms in this collaboration did not demonstrate any shared understanding of outcome objectives. The focal firm highlighted as important:

- its partner's financial situation
- incremental spend to the client as a result of any proposed renovations
- interpersonal aspects.

Although these have been achieved to a certain extent they have not met the expectations of the partners. It was believed that greater emphasis should have been placed on profitability.

The partner firm listed important outcomes as:

- quality of work
- relationship with the factory
- job satisfaction and adherence to the agreement.

However, the interviewee did not wish to rate these according to importance and achievement.

#### Strategic Logic

This collaboration was classified as exhibiting *cumulative logic* in the sampling frame. An examination of the partners in this relationship could possibly result in a different understanding. The focal firm manufactures and fits shopfitting, in which area it

considers itself to be a market leader. The partner firm, however, contributes key design services. The focal firm might also be able to design shopfittings, but the architectural firm was specialised in this core activity.

Despite the lack of common outcomes, the two firms did demonstrate some shared understanding of key collaborative activities. Three activities were listed by both partners. However, the shared understanding of important activities was not supported by a shared understanding of each partner’s contribution or experience. The rating of these activities can be seen in Table 4.17.

**Table 4.17: Activity and Experience Ratings for Case 12**

<i>Activities</i>	<i>Importance</i>		<i>Contribution (%)</i>		<i>Experience</i>			
	Focal	Partner	Focal	Partner	Focal		Partner	
Client liaison	6	6	33	100	6	6	7	4.5
Design	5	5	90	100	5	6	6.5	2.5
Pricing/estimation	5	5	95	50	6	2	–	6

**Technology**

The focal firm classified this alliance as low technology. The case evidence supported this classification.

**Geographic Scope**

This relationship was formed between two Christchurch-based firms. However, the activities covered the entire New Zealand region. Neither firm appeared to conduct business outside New Zealand.

**Context**

*FittersCo*

FittersCo is a family-owned business that was established by the grandfather of the current managing director over 50 years ago. The company began business manufacturing tube and wire shopfitting accessories and installing steam equipment. Fully customised shop fitouts and refurbishments are the firm’s current business.

The firm considers itself to be a market leader in high-quality retail interiors in New Zealand. It won six “Shop of the Year Awards” during the 1980s and 1990s. FittersCo are supported by a large commercial factory and a plastics subsidiary. In-house facilities ensure quality materials and construction.

FittersCo has also established working relationships with various retail design specialists. Designs are customised to suit individual company needs and budgets. Project management expertise is also provided to clients when required.

FittersCo has managed to increase capacity in recent years without any major organisational changes or restructuring. It considers itself to be a versatile firm with the ability to assist in the planning, design, manufacture and installation phases of any retail project.

#### *ArchitectsCo*

The founding partner of ArchitectsCo studied architecture and began his career as a designer in one of the largest shopfitting firms in New Zealand. He left that organisation and started his own firm over 25 years ago.

ArchitectsCo has specialised in retail store design, and has successfully installed in over 500 shops nationwide. The firm has also maintained several successful working relationships that have enabled easier access to both business and resources.

ArchitectsCo has had a relationship with FittersCo for some time, dating back to business conducted with the father of FitterCo’s current managing director. For many years the firm was situated in offices within the FittersCo premises. During this time ArchitectsCo conducted work primarily for FittersCo. The new partner in ArchitectsCo was also supported in this arrangement for some time.

ArchitectsCo has now established a broader client base, and FittersCo compete with three other firms for ArchitectsCo’s work in an open tender arrangement.

#### *General*

Participants believe that the general business climate in New Zealand is characterised by increased variability. This is thought to affect both lead times and customer

requirements. Client requests need to be dealt with effectively and promptly, and planning needs to be carried out in advance. The environment is also complicated by the lower standards of unqualified tradespeople. Both firms feel that clients initially find it hard to differentiate between the services that are provided in the marketplace.

### **Form and Formation Process**

The two firms involved in this collaboration have been collaborating for some time. This relationship was initially established with FittersCo's previous managing director.

After problems experienced in initial collaborations between the two firms, ArchitectsCo approached the current managing director of FittersCo with a proposal for doing business. This involved an arrangement whereby jobs were to be sourced by the designer and a quote would then be jointly proposed after initial plans were drawn up. The arrangement produced excellent results with mutual benefits for both firms. This agreement was established around the mid-1970s.

In due course, the relationship was formalised with a written contract on the advice of a lawyer. A few minor disagreements between the two firms provided some motivation for this.

ArchitectsCo was situated in the FittersCo premises and supported by the partner firm during this time. Although ArchitectsCo remained an independent provider, the contract allowed for open access to all work conducted by the two firms. In reality, this contractual obligation is not thought to have been fulfilled.

When the agreement was dissolved, royalties and intellectual property issues were settled. The firms continue to collaborate when necessary with no formal agreement.

### **Partner Selection and Opportunity**

The difficulties apparent in the industry provided the major impetus for this relationship. The desire to collaborate was based on the perceived ability to increase output by at least 50 %.

While FittersCo can also design, the collaborative relationship allows FittersCo to concentrate on the manufacture and fit-out stages where its specialty skills really lie. It has also enabled the provision of competent manufacturing and installation services

from a technical and retail perspective. The interviewees felt that the relationship provided considerable support in these areas.

The sheer scale of some projects, and the risks involved, added appeal to the relationship. Projects were often NZ\$400,000–500,000 with only up to a fortnight to complete the fit-out.

The main activities carried out within the relationship are design, pricing and the manufacture of fittings. Managing client conflict and requirements is also a major activity that both firms are required to undertake. In addition, the relationship has enabled the cross-marketing of services.

Key market segments are pharmacies, health food shops, architects and other designers. ArchitectsCo specialises in pharmacy design and renovations, and has most experience in this segment. The two firms have planned joint trips and attendance at trade shows. These events often generate considerable leads and business opportunities.

Typical projects begin with an approach to ArchitectsCo. After an initial analysis of the premises, an attempt is made to visually capture the client's requirements. The basic design is then priced by FittersCo and re-worked on the basis of client feedback. The design is then returned to the customer for revisions. At this stage, the detailed design drawings (including security, air-conditioning, plumbing and other requirements) are returned for a more accurate cost estimate. Production work begins once design and cost are approved by the client. The process also involves timing the various aspects of the work, including the involvement of other service suppliers and local contractors.

An important aspect of a project's success is the ability to analyse the impact of the retail design on turnover. ArchitectsCo considers itself experienced enough to gauge this with a high degree of accuracy.

After completion, the drawings are given to the main contractor. Compliance is also a major part of the work, an aspect that can be assessed only by the builders.

All key activities are crucial to both the success of the project and the level of customer satisfaction that can be achieved. The full drawings not only affect the client's perception of what the project results are likely to be, they also determine the fee structure.

Both firms employ project managers. These individuals play an important role in liaising with members of the entire project group. Project management and coordination is considered a crucial activity.

ArchitectsCo demonstrates a high degree of experience in the situation analysis, visuals and client discussions. FittersCo is also able to conduct an adequate situation analysis, but is not considered as experienced in this activity as its partner.

Each firm's contribution varies, based on the stage that the project is in. FittersCo tends to increase its level of contribution once the discussions with the contractor begin. FittersCo has developed expertise in drawing and interpreting ArchitectsCo's drawings from a manufacturing perspective.

According to the interviewees, the two firms have quoted for and collaborated on "hundreds of projects".

### **Relationship Dynamics**

Despite success on many joint contracts, the two firms appear to have experienced various interpersonal problems. Over time there has been an increased level of mistrust, and a misrepresentation of goals. These factors were compounded by the fact that, although an agreement was developed, FittersCo felt that its partner firm ignored the agreement's intent.

While the relationship has not functioned well on an interpersonal level, both firms recognise the benefit that can still be gained by working together.

A key factor in the difficulties faced between the two firms was thought to be attributable to the differing work ethics and habits of both firms. FittersCo is structured and organised but views its partner in a different light. This view is supported by comments made by the FittersCo interviewee:

"If [the key individual in ArchitectsCo] faced reality and had a good secretary or assistant that he could work with ... things would work; there is no point in being late all the time or slightly out of control ..." (C12F1R1INT1)

Despite these differences, FittersCo's managing director felt the relationship really started to deteriorate when ArchitectsCo began to level accusations against FittersCo:

“He basically wrote to our company solicitor ... and said that we were robbing him blind ... He was giving up an unprecedented amount of work and it was about time we gave him something for it.” (C12F1R1INT1)

“I can’t remember much except thinking ‘what’s going on?’ He is sitting in an office down there, we are working closer than ever together, we are paying thousands of dollars in phone bills, faxes, rent ... and he says we are ripping him off. I couldn’t believe it.” (C12F1R1INT1)

Predictably, ArchitectsCo’s comments reflect a different view:

“When [the other person in ArchitectsCo] came on as my partner, he felt that it was all one way, and there were definitely disadvantages in it for us.” (C12F2R1INT1)

The former managing director of FittersCo was called in to mediate. While the two firms did not take proceedings to court or arbitration, these events affected the relationship considerably.

Key events in the relationship have created a situation where the partners work together without the level of trust that previously existed. The firms maintain contact with joint clients as a team when possible. Unfortunately, the agreements that were formulated appear to have not had a positive impact on the collaboration:

“In the end you can walk through any contract if you have a problem—it comes down to trust ... whether there are differences or not you have got to have trust.” (C12F2R1INT1)

The relationship has resulted in quotes on many projects, and joint contracts on several around the country. Joint attendance at a Pharmacy Expo in Auckland resulted in as many as 40 strong leads.

As the collaboration deteriorated, the firms became increasingly concerned with the extent to which each partner was bringing work into the relationship, as opposed to conducting jobs independently. Both partners began to demonstrate strong discontent with the relationship:

FittersCo:

“We had a simple formula—throw us everything you have got and we will work out who does what and you will get everything from us—this did not go both ways. The reality is that I am not naïve, and they cannot just rely on us either; no company can afford to have all their eggs in one basket.” (C12F1R1INT1)

**ArchitectsCo:**

“I see things around the country that I should have been getting royalties on and am not receiving—it is a trust thing.” (C12F2R1INT1)

In retrospect, the firms admit that it may have been a mistake to have the ArchitectsCo office situated within the FittersCo premises. Consumers did not appear comfortable with this arrangement. Both firms have lost business as a result of customers unwilling to deal with one or other of the partners.

**Managerial Perceptions**

The partners appear to have a favourable reputation in the marketplace. FittersCo are considered to be among the best in New Zealand. ArchitectsCo also demonstrates a rapport with clients and often has more than 20 projects being completed simultaneously, with strong, positive word-of-mouth attracting most new business.

According to ArchitectsCo, a major factor that influences the willingness of customers to conduct business with an architect is the ability of the firm to provide continual contact. While ArchitectsCo has achieved a high level of customer satisfaction, it was felt that fulfilling the time and contact level demands of clients was not a strength.

The perceptions of the key individual in ArchitectsCo appear to have also influenced this relationship. FittersCo interviewees believed that he lacked “business discipline” and that his artistic ability distorted his view of reality. This was a view held by both the current and past managing directors. It was also felt that the attitudes of ArchitectsCo were heavily influenced by the new business partner. While ArchitectsCo highlighted problems with the management in FittersCo, the same sentiment is not shared about the staff and their manufacturing skills, who are held in high regard.

In addition to these perceptions, it was felt that the two firms were often viewed as a package, which precluded the partners from taking jobs that they may otherwise have wished to complete.

Ultimately, the relationship has been complicated by the view that the partners were not open about the work being conducted, a factor which defeated the purpose of the relationship.

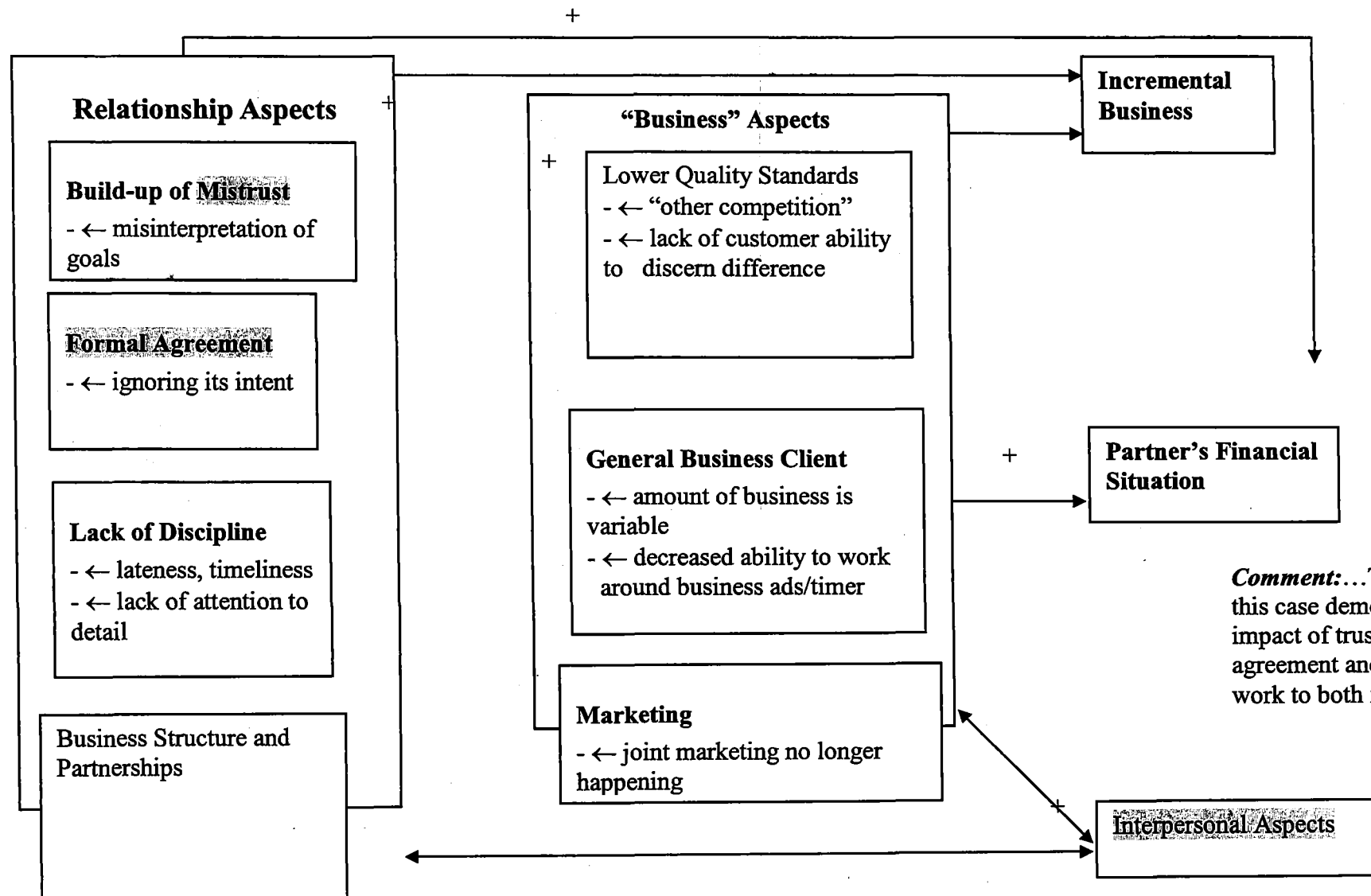


The cognitive mapping exercise showed that trust, the nature of the formal agreement, and quality of work were important to both firms in the relationship. These maps can be seen on p.270-271.

### Summary

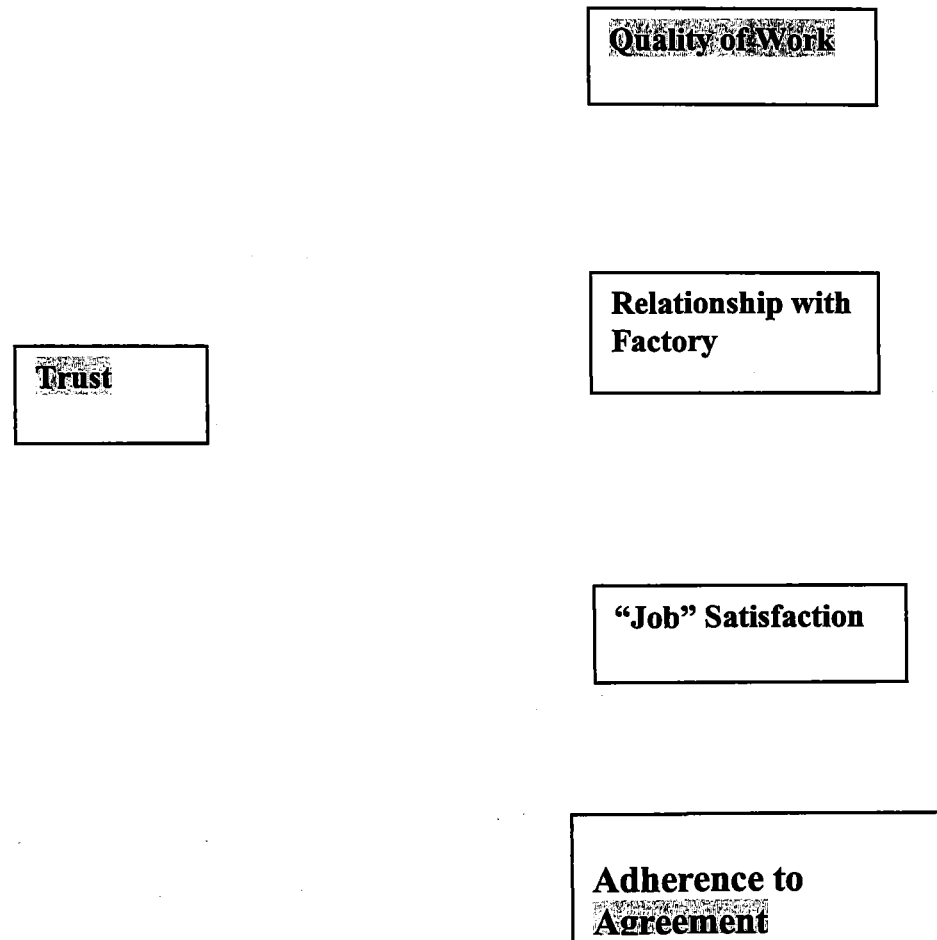
This relationship demonstrates the impact that *negative relations* may have within a collaboration. The *differences in assessment* of contribution and a lack of common objectives do not support a focus on collaborative outcomes and a shared view of the relationship. The case also illustrates how objectives, circumstances and priorities can change over time, and can damage collaborative outcomes if the agreement is inflexible or not revisited as a “living document”. Consequent *tension can exacerbate relations* and create a vicious circle.

Figure 4.17: C12F1R1INT1: Focal Firm Shopfitting



*Comment:*...The maps in this case demonstrate the impact of trust, a formal agreement and quality of work to both firms.

**Figure 4.18: C12F2R1INT1: Partner Firm Shopfitting**



## **CASE 13: LOGISTICS**

### CASE 13: LOGISTICS

This is a contractual agreement between a division of one of New Zealand's largest manufacturing firms and a trucking company. It is an innovative delivery agreement that has benefited both firms. The relationship is characterised by complementary logic, a domestic focus and a low use of technology. It was classified as an above-average performing relationship in the sampling frame.

#### Outcomes

By all accounts the collaboration performs well. The SteelCo contract represents about 12–14% of TruckCo's business. Profit and smooth-running operations are considered to be vital outcomes, supported by good management. These have been achieved satisfactorily. Feedback from customers indicates that an excellent service is being provided, a necessary factor in achieving profit.

Regular customer surveys highlight the possible impacts of a lack of compliance, a lack of credits, inaccurate pre-picking or inaccurate deliveries. A summary of collaborative outcomes and their achievement can be seen in Table 4.18.

Lack of customer complaints, lack of employee complaints and not having to make payouts are also considered important. Customer complaints are considered to be the most important of these. Employee complaints were also minimised as the relationship progressed. Customer satisfaction is measured through an examination of non-pricing based issues such as delivery times. Delivery time targets are being reached 95% of the time. Success was essentially measured on a lack of customer complaints and the absence or control of more general problems. Overall, the relationship has helped to reduce the costs of transport through a sharing of financial benefits.

#### Strategic Logic

This relationship was categorised as exhibiting *complementary logic* in the sampling frame. The case data support this. Both firms in this relationship bring very different experience to the relationship. One is a long-established family trucking firm; and the other, a large manufacturing company. The basic collaborative activity listed by the

**Table 4.18: Collaborative Outcomes for Case 13**

<i>Nature of outcome/ objectives</i>	<i>Respondent details</i>	<i>Described as</i>	<i>Importance*</i>	<i>Achievement</i>
<b>Financial criteria</b>				
Focal firm	C13 F1 R1 INT1	Profit share	7	7
Partner firm	C13 F2 R1 INT1	Sharing financial benefits	5	6
	C13 F2 R2 INT1	Profitability	5	5
<b>Satisfaction related</b>				
Focal firm N/A	–	–	–	–
Partner firm	C13 F2 R1 INT1	Positive customer feedback	7	6
	C13 F2 R2 INT1	Lack of customer complaints	7	7
	C13 F2 R2 INT1	Lack of employee complaints	3	6
<b>Operating Efficiency</b>				
Focal firm	C13 F1 R1 INT1	Smooth running operations	7	7
Partner firm	C13 F2 R1 INT1	Delivery time—urgent	6	6
	C13 F2 R1 INT1	Delivery time—regular	6	6
	C13 F2 R1 INT1	Good market coverage	7	5
	C13 F2 R2 INT1	Payout for late deliveries	6	6

participants was physical distribution. This encompassed a range of duties required to transport freight. These processes are described in detail later in the case study.

### Technology

The relationship was classified as exhibiting a low use of technology. This was indeed the case.

### Geographic Scope

This relationship was formed with a domestic focus. The primary areas covered include Auckland and the Waikato region.

### Context

#### *TruckCo*

TruckCo are a fourth-generation family-owned business based in Auckland. The firm functions predominantly in the Auckland region and is currently managed and owned by a descendent of the original owner.

During the 1970s the firm faced receivership and it has had varying degrees of success over the years. At that time the current owner's father also left the firm. The current owner began working in the family firm in 1972 after leaving school. He left to travel overseas, and re-entered in 1980 at the request of his father. He now owns 49% of the firm, and has grown the business from a small operator with 12 trucks to a sizeable firm with over 36 vehicles.

TruckCo is not regarded as a traditional trucking firm. This is in part due to the management (reflected in the owner's personality and style of management) and the innovative delivery agreements that it has initiated. TruckCo is characterised by a very flat management structure that consists of drivers, dispatch managers and top management. Overheads are minimal. The current owner maintains a strong involvement in the day-to-day activities of the firm.

### *SteelCo*

SteelCo is part of the Steel Group of companies. It was one of two dominant players in the steel market at the time of this agreement. The main rival was Steel and Tube who also had about 40% of the market. Both firms tended to purchase from the same suppliers. Similarities between the two firms narrowed the basis of competition considerably.

Although the Steel Group has undergone many changes over the years, SteelCo appears to have remained the same in focus and philosophy.

SteelCo operates nationwide. The markets in both islands of New Zealand vary slightly. The South Island represents more of a freight-haul situation and SteelCo have a company to manage this activity.

SteelCo was making a profit of up to NZ\$15 million in the mid-late 1990s. The firm was, at the time of these interviews, making a loss. A takeover of the major competitor, Steel and Tube, was also being considered.

Whilst SteelCo was a well-known firm, its market image was suffering prior to the initiation of this relationship. Prior to this agreement, the firm's primary transport operator charged on an hourly basis, an arrangement that precluded profit-sharing and a truly collaborative partnership. Instead, SteelCo sought a relationship where its partner

would desire business growth in a capacity comparable to that of SteelCo's own requirements. Consequently, SteelCo put the contract out to tender. TruckCo and the existing operator were invited to submit proposals.

The firm had an existing transport contract with TruckCo for specific goods. This contract was fairly narrow and did not allow for growth.

### *General*

Steel is regarded as particularly difficult to carry within the transport industry. Characteristics change on a daily basis and varying forms of steel pose different logistical issues. This is reflected in differences in freight rates—coils of steel may be NZ\$7–9 per tonne, whereas smaller items might be charged at NZ\$30–40 per tonne.

Basic bulk-store steel is often destined for fabricators and workshops, whereas specialty steel is required by toolmakers for such things as machine parts. The main problem presented by the product is that steel is very fragile: when dented it will not regain its shape easily.

Transporters are considered to have a very narrow function; what is provided today is, in effect, what was required a hundred years ago. Although the methods and systems have developed and changed, transportation is still a relatively simple concept. The main basis of competition in the industry remains price and service.

Historically, two main players dominated the steel industry in New Zealand. These firms together held over 80% of the market. At this time, however, there were also smaller competitors entering the market with the intent of splitting market share. Consequently, both of the larger firms suffered and neither was making money. As a result SteelCo had begun investigating the possibility of acquiring its major competitor.

The SteelCo–TruckCo partnership has provided a successful solution to many of SteelCo's problems. It has improved service and delivery within Auckland, and subsequently between Hamilton and the Auckland region. The collaboration has also improved SteelCo's reputation in the marketplace. The competitive situation within the industry was consequently affected by the formation of this relationship.



### **Form and Formation Process**

A key motivating factor in this relationship was the dissatisfaction of SteelCo with its existing transport operators. The firm made a decision to rationalise the six existing transport operators, and review its logistics arrangements. At this time TruckCo were delivering other goods for SteelCo on a regular basis and had an established relationship with SteelCo for this work. The relationship had functioned within a small section of logistics work for a number of years.

TruckCo contacted key personnel in SteelCo when the current business was being tendered. The prior experience that TruckCo had with SteelCo may have provided some advantage over other firms tendering at this time.

The disparity in steel loads that were to be carried and their relative costs made both planning and costing the service tender difficult. With these factors in mind, TruckCo proposed an innovative idea based on a monthly or annual charge for the service, accompanied with the provision to allocate SteelCo with a share of the profit. TruckCo would deduct a sum as return on capital prior to dividing the profit.

Considerable time and effort were placed in formulating a satisfactory agreement, which was discussed and reviewed over nine months. Key concerns were in regard to ensuring the financial viability of both firms. Both accountants and lawyers reviewed the contract. It was put into action in October 1993. There was a detailed reference document:

“We had all sorts of things in there ... rights in case you had disputes and mechanisms for adjusting prices up and down ... in fact we haven’t done any of that at all...the prices we have set have been fair and reasonable ...” (C13F1R1INT1)

The initial agreement was a five-year contract. This has been extended and various other additions have been made. The contract includes provisions for dispute resolution, price adjustments and allowances for SteelCo to purchase trucks off TruckCo. None of these have been put into effect, and there are no indications that the contract will be terminated.

TruckCo provides SteelCo with one invoice for the year. Automatic payments are then set up for each month. This covers all costs involved in providing the service and cuts

administrative costs considerably. It provides a simple and transparent method of dealing with the service fees and actual visible costs. In the event of over-payment or under-charging, a compensating figure is calculated.

Although the relationship is not legally a joint venture entity, it is operated as such. On securing the contract, TruckCo purchased trucks that were to be dedicated solely to this relationship. The trucks were re-branded with the SteelCo colours and logo. Drivers wear SteelCo uniforms. The separate focus of a fleet of trucks on SteelCo has helped the relationship. In effect, the containment of the collaborative activities and its function as a “joint venture” appear to have had a positive impact on success. This facet of collaborative form was reflected in the interviewee comments:

“Its not a joint venture in entity but effectively is in concept.” (C13F1R1INT1)

“What made it work was that there were a number of trucks that were dedicated to one function and weren’t doing anything else.” (C13F1R1INT1)

The structure of the relationship is designed in such a way as to allow the relationship to easily meet its operational needs. A position of “observer” was created to allow SteelCo access to top-level management in TruckCo. Rights to attend board meetings are a key aspect of this role. A TruckCo representative is also based at the manufacturer’s warehouse. This individual works with the management of drivers, training and ensuring that the firm’s reputation is maintained.

TruckCo has a total of 36 trucks. Of these, 10 are dedicated solely to the SteelCo function. This is thought to have been a contributing factor in the success of the relationship.

### **Partner Selection and Opportunity**

The relationship was essentially designed to grow the firms’ businesses within a competitive market. The concept was based on using logistics to change the perception of both of the firms involved, and that of their competition. It functioned on the basis of providing two deliveries per day. This was seen as a major advantage by customers who did not wish to carry large inventories of steel as protection against poor service. The extra service provided through this relationship placed SteelCo in a better position to

meet key competitors. One interviewee summarised the impact of this partnership in the market:

“I believe the whole perception of who had the best delivery service turned 180 degrees and it happened overnight.” (C13F2R2INT1)

TruckCo was motivated by the need to perform well in order to retain other work being conducted for SteelCo. Improving the image of SteelCo and providing a competitive service in the marketplace were key facets of this.

The basic purpose of the relationship is the distribution of steel. The major activities within this are planning, pre-picking, loading and delivery. Whilst planning and delivery are the major responsibility of TruckCo, the loading is shared between the partners. Factors such as speed of delivery and attitude of employees are all key factors within this. Delivery itself has the least importance from a service viewpoint because the routes are well-known. In addition, deliveries are broken down into urgent and regular jobs. A variety of different-sized trucks allow this to function smoothly.

The planning of deliveries and the dispatch occur concurrently. The dispatch manager and driver are responsible for timely delivery, and a docket provides a record of completed jobs. While physical distribution is crucial to the relationship, it is solely the responsibility of TruckCo. SteelCo does not have a high level of experience in this area. The on-site presence of the TruckCo employee allows for effective and efficient coordination. Planning needs to be conducted with regard to loading the truck and pre-picking the order before the vehicle arrives at the warehouse. Effective planning here ensures that truck waiting times are reduced.

Basic product divisions allow for special requirements to be considered in their transportation. Product categories that were considered within this relationship are value and specialty items and basic bulk-store steel. Bulk-store steel represents the major portion of turnover with an estimated 90,000 tonnes being moved. The specialty steel is less important within the relationship, and faced many external competitors. Product groups are complicated by steel of differing lengths, widths and weights.

Bulk-store steel is more lucrative, and represented the major portion of SteelCo's business. The firm contributed a larger portion to this product category within the

relationship, and had a higher level of experience in bulk steel. Initially, however, this was not reflected in market image—SteelCo was not regarded as a preferred supplier.

Many factors have facilitated this relationship. SteelCo provides customers with a delivery guarantee—all orders placed by 10.30am are delivered on the same day, anything received in the afternoon will be delivered the next morning. This is regardless of load type or size. Within these constraints, TruckCo has also worked to overcome other problems. For example, loads that are over 12m long are unable to be transported between 7–9am, so TruckCo has initiated a plan to get these loads on the road and delivered in Auckland between 6–7am. Truck loading times have also been halved with careful planning and the training of staff.

The relationship has provided SteelCo with more professional drivers. Positive outcomes were also achieved through the coordinated effort of the TruckCo representative in SteelCo and the warehouse manager. Depreciation of the trucks now results in consistent profits.

The relationship has also allowed TruckCo to increase its vehicle fleet with a minimum amount of risk. TruckCo's innovativeness in the Auckland region has enabled the development of transportation solutions between Auckland and Hamilton. The initiative involved in providing excellent solutions to logistical problems has been recognised by the partner firm in this relationship. In addition, key contacts in SteelCo have allowed for other minor contracts to be accessed.

In segmentation, the key aim has been to cover freight and segment based on geographical region. Complicated segmentation was thought to unnecessarily complicate the service provided. Geographically, the relationship initially covered the Auckland region. This has been expanded following the success of the initial contract.

Key customers include repair shops, welders and the construction industry. Customer requirements provide a basis for prioritising deliveries. Regular customer surveys have been conducted to assess compliance and delivery times and to identify any inaccurate picking. Causes of service failure, such as late delivery, are examined in detail. TruckCo also deals with many of the customer complaints, allowing SteelCo employees to concentrate on their role in loading trucks.

Careful thought and planning have resulted in a relationship which, in effect, functions quite simply:

“It’s quite simple and it doesn’t have high administration costs so the administration charge ... is relatively light [and] the actual cost involved ... is visible...”  
(C13F1R1INT1)

### **Relationship Dynamics**

The focus on improving the image of SteelCo has been crucial in this collaboration. The relationship between the two firms has been cemented by the fact that the TruckCo employees dedicated to the SteelCo work see themselves as SteelCo employees. This view is reinforced in the marketplace, with most clients unaware of the arrangement between the two firms. So, the focus on image has extended right through to the truck drivers who maintain some of the closest relationships with clients.

The participants felt that the collaboration has resulted in an “excellent” relationship. An underlying factor is the interpersonal relationship that the key participants have and their commitment to the relationship. All key individuals work together well. The level of interpersonal interaction also provides a greater degree of flexibility in obtaining customer satisfaction.

The interviewees considered trust to be an important aspect of the relationship. This has been demonstrated by the actions of TruckCo who refuses any work that conflicts with the SteelCo contract. Philosophically the two firms share the notion that this concept has to make a profit for both firms, and neither partner should subsidise the other. However, it was also felt that the initial lack of concentration on financial issues has allowed the relationship to develop to the extent it now has.

Detailed rules and regulations do not govern the relationship at a senior level. The relationship between key individuals deems this unnecessary. However, the close day-to-day involvement of the TruckCo owner and key management ensures that the basic integrity of the relationship is maintained.

Initially some conflict was apparent between front-line staff in the two organisations. These issues were resolved. Another area that required intervention was the replacement of drivers with storemen for truck loadings. This decreased the driver overtime

allocation and therefore created some discontent. A further threat to the relationship was the result of employee theft of SteelCo products by one of the TruckCo employees. TruckCo helped to build the case against its employee, which served to strengthen the collaboration further.

While this concept has been successful, none of TruckCo's other clients are large enough to warrant a similar organisational focus.

### **Managerial Perceptions**

SteelCo was seen as being less well regarded in the marketplace than their major competitor. Within this environment the collaborative concept offered by TruckCo was welcomed. It provided a professional delivery service that allowed the firm to change how it was perceived by the market overnight.

TruckCo is well-known, with a good reputation in the marketplace. It is seen as innovative, but by its own standards is conservative in management style and structure. TruckCo takes corporate responsibility seriously and addresses concerns of the industry and consumers sincerely. In particular, SteelCo was attracted to TruckCo's professional management:

“[TruckCo's] organisation was professional, he had an accountant on board and gave out a monthly profit and loss just for this contract alone ...” (C13F2R1INT1)

This common factor is mentioned in the cognitive maps of all three interviewees. Interestingly, profit was also highlighted by all three interviewees.

### **Summary**

This relationship demonstrates the *importance of a formal agreement*, but one which has a *degree of flexibility and can be revisited*. It highlights that a *clear purpose and concentration on the partner* can have a positive influence on a collaboration. The designated trucks, personnel and strong *interpersonal relations* are all key factors in achieving focus within the relationship and, consequently, success. The focus and flexibility go hand-in-hand with trust and respect.

## **CASE 14: PRINT BROKERS**

### CASE 14: PRINT BROKERS

This was an informal agreement between an Auckland-based printing firm and a print broker. The collaboration was characterised by complementary logic, a domestic focus and the low use of technology. It was classified as a below-average performer in the sampling frame. The relationship was being scaled down at the time of these interviews.

#### Outcomes

This relationship was categorised as a below-average performer in the sampling frame. The interviewee data support this classification, as the partners did not appear to demonstrate a shared understanding of the collaborative outcomes and objectives. For FormCo, the loss of trust has been an important outcome, influenced by the perceived “one-sided” motives of the partner. The two outcomes that the focal firm listed were loss of trust and partner: selfish motives. Recognition was given to other outcomes, but the most important factor appears to have been the loss of a valued interpersonal relationship:

“In terms of outcomes, volumes began to drop and it became apparent that the main outcome in the relationship was to be the cheapest supplier ...” (C14FIR1INT1)

Important outcomes listed by the partner firm were:

- quality
- service
- pricing issues

Quality is regarded as an important outcome. The job, according to PrintersCo, must be produced to the highest standard and based on specifications provided. Price, although important, would have already been determined. Another factor of concern was that jobs were to be completed according to schedule. While all these outcomes have been achieved, PrintersCo was not as happy with pricing levels. Volumes of business were also examined and compared to previous years.

#### Strategic Logic

This collaboration was categorised as exhibiting *complementary logic*. An understanding of the firms in this relationship supports this categorisation. FormCo is a



printing firm which specialises in business forms and documents. The partner, PrintersCo, is a print-brokering firm which sources printers and processes jobs according to client requirements. Both firms contribute a different expertise to the relationship.

The partners have a simple shared view of the collaborative activities, and both list quoting and processing as the key collaborative activities. An assessment of the importance of, contribution to, and experience in these activities can be seen in Table 4.19. In some respects the quality of the relationship appears to have had a greater impact on the ratings provided by the focal firm.

**Table 4.19: Activity and Experience Ratings for Case 14**

<i>Activities</i>	<i>Importance</i>		<i>Contribution (%)</i>		<i>Experience</i>			
	Focal	Partner	Focal	Partner	Focal		Partner	
Quoting	5	7	97	70	6	1	1	5
Processing	5	7	100	50	6	1	7	6

**Technology**

This relationship was characterised as exhibiting a low use of technology in the sampling frame. The case details support this classification however, it is apparent that the printing industry is likely to be influenced by technological advances in the production of forms.

**Geographic Scope**

This relationship involves two Auckland-based firms. The major activities associated with the relationship are undertaken for clients in the Auckland region. The partner firm also has a company based in Palmerston North.

**Context**

*FormCo Ltd*

FormCo are a small Auckland-based printing firm which specialises in business forms. Its main geographical emphasis is within the Auckland region. The company previously specialised in the printing of computer forms.

FormCo caters to three distinct markets: end-users; print brokers; and other printers. The firm had traditionally manufactured line-flow and print-head forms. The product range of the company is also changing, and now includes the production of brochures and catalogues, dispatch orders, and purchase orders. In spite of a diverse product base, the company still performs the majority of its work in computer forms.

In line with product and industry changes, the firm recognises the need to develop strong relationships with current customers and to provide wider solutions for managing customers' print spend. The main emphasis of the managing director is on managing the requirements of customers and increasing business without actually increasing the capacity of the firm.

FormCo currently has a small market share, generating NZ\$6 million in revenue within a NZ\$120 million market. Growth has recently been achieved through the acquisition of the client base of a competitor. This has resulted in business growth of 50–70% without any corresponding capital investment. Three extra staff were transferred across from the acquired firm at this time.

The work conducted for PrintersCo (the other firm in the relationship) is discounted beyond the normal range. Despite the fact that some work is still being conducted between the two firms, the relationship is being wound down. It was anticipated that they would not be conducting any joint work within 12 months of these interviews.

### *PrintersCo*

PrintersCo is a print-brokering firm—providing client consultation and print brokering services. The director (and owner) began business in Palmerston North as a print broker in 1987. He purchased another business in Auckland during the mid-1990s and is now based in Auckland. He now owns two firms (one in Auckland and the other in Palmerston North), which trade under the same name.

PrintersCo specialises in print brokering and fulfills the function of liaising between the client and the printer. The key role is to provide completed print jobs at the best price, within the requirements of both parties. Income is generated by the mark-up charged on each job.

The director is responsible for the larger clients, while sales personnel are in charge of smaller accounts. A major client in Palmerston North has been Massey University. The firm currently employs five staff in the Auckland facility, and the firm continues to grow in both locations. The firm also rents space to a graphic artist.

PrintersCo is currently developing software for computer-generated design and is extending the system capability to allow clients to access information on-line.

In a competitive market, PrintersCo is also competing with other printers who choose to deal directly with customers. According to the interviewees, brokers guard their client base in an attempt to remain competitive.

The firm's decision to purchase in Auckland was a conscious growth strategy to counter the saturation in the Palmerston North market. During its first years in Auckland, PrintersCo worked out of offices on the FormCo premises. This continued until 1997.

#### *General Industry and Market Trends*

The print industry in New Zealand has 1,200 firms. Approximately 10 firms are estimated to be conducting reel-fed business-form production. Many of these firms are based in the South Island. The market is characterised by two large players. These firms conduct work for large customers and constitute a sizeable portion of the market.

The general market appears to be changing, however. In particular, the ability to print forms directly from computers has had a major influence on the industry in New Zealand. Overseas estimates indicate a 5–7% decline in business. In a competitive market characterised by changing trends, print brokers have an adaptive ability that is not affordable to many printing firms. They are relatively quickly able to source customer needs and requirements without any capital outlay.

The industry is not considered to be profitable, and most firms are examining ways to increase profitability.

The downturn in New Zealand during the late 1990s had an impact on both the industry and this relationship. Customers became more price-driven and were also demanding a higher level of commitment by the print brokers. Previous levels of service were not considered sufficient. Within this environment, the placement of PrintersCo in the

FormCo offices was reconsidered. PrintersCo, in particular, was concerned about sales force competition between the two firms.

The market has also endured various product shifts. Laser output and electronic solutions are increasing in popularity. FormCo, who specialises in computer-generated forms with sprocket holes, has been forced to reconsider its market viability.

### **Form and Formation Process**

The relationship between the two firms began about over a decade ago when PrintersCo was based in Palmerston North. The current owner had just taken over the Palmerston North business and was keen to forge business relationships. At this time, FormCo was asked to manufacture for its partner firm. PrintersCo's owner had previously heard about FormCo while working for another company. FormCo was one of PrintersCo's first suppliers.

The relationship continued through to the late 1990s when PrintersCo acquired a business in Auckland. At this time, based on the prior relationship established between the two firms, PrintersCo was initially offered office space in the FormCo premises.

The two firms did not have a written agreement until 1997. At this time, PrintersCo prepared an agreement for FormCo without consultation. According to FormCo this contract was "one-way", and amounted to a description of what was required to ensure the willingness of PrintersCo to do business:

"The contract was almost entirely one-way—document deliveries, processes, time-frames, staying away from clients—mainly things designed to protect his position in the marketplace and stop FormCo competing with them." (C14F1R1INT1)

In this way, PrintersCo essentially established preferred-supplier agreements with four or five key printers. A preferred-supplier agreement is merely a working arrangement between the parties; it does not signify a binding contract. Despite their previous relationship, FormCo was required to compete with other printers for work. This benefitted PrintersCo by reducing the number of firms that it needed to contact and allowing the firm to clearly stipulate time and pricing schedules.

### **Partner Selection and Opportunity**

The purpose of the relationship was to provide the required product at a competitive price. This involved quoting on orders and then processing the order. The relationship initially provided an alternative market outlet for the Palmerston North-based partner before the firm established a presence in Auckland.

The preferred-supplier agreement allowed PrintersCo to extend the concept of price competitiveness and include all firms it was dealing with. This arrangement was based on previously identifying firms that met the firm's quality and service requirements consistently. Unfortunately, FormCo did not see any advantage in being a preferred-supplier: as information such as repeat customers was not disclosed, issues such as customer loyalty could not be taken into account.

The basic categories that the relationship covers are predominantly business forms for use in the computer environment and computer-generated forms. The main activities involved in the relationship are quoting on and processing orders. Computer software is used to input all specifications for the job; this then gets faxed through to all of the preferred suppliers with whom PrintersCo wishes to work. When the completed quotes are received, PrintersCo selects the best price, a mark-up is added, and a completed quote is sent to the client.

PrintersCo has the services of more than one supplier, and FormCo is typically approached only when PrintersCo is dealing with a product that lies within FormCo's area of specialisation.

Quoting is considered to be a mechanical aspect of the relationship activity, and is not influenced excessively by any other inputs. The order dictates customer requirements in terms of colour, parts and quantity. Once the quote is approved, sample forms are produced for the customer before an agreement is signed.

The contribution of FormCo is greater in both the quoting and processing of orders. The experience of the firm is also high in both of these key relationship activities. Trained employees, with in-depth knowledge of internal machinery and processes, make this task easier for the firm. PrintersCo, however, regards quoting as an important aspect of

the relationship but lacks the technical skills to complete this task adequately. PrintersCo's level of experience in these activities is also regarded as minimal.

There is some discrepancy in the type of contribution to the relationship that each firm considers itself to have made. PrintersCo believes that FormCo's job is made significantly easier by the level of detail and specifications that PrintersCo provides for every job placed out to tender—if FormCo were dealing directly with customers, it would have to acquire all this information. FormCo, however, places greater value on its own skill base and experience.

Against this, PrintersCo believes that the added-value to the customer is in the service provided, and the extent to which their account is managed adequately.

### **Relationship Dynamics**

The interpersonal relationship between the owners of the two firms was crucial in establishing this collaboration. Historically, business conducted in Palmerston North also provided an incentive to work together. Whilst the two individuals had a satisfactory relationship in the initial stages, this no longer appears to be the case. Several factors are thought to have contributed to this change.

According to FormCo's managing director:

"I don't think any relationship exists without trust." (C14F1R1INT1)

There no longer appears to be any goodwill between the two individuals, compounded by the view that PrintersCo holds a very one-sided view of both the interpersonal relationship and the collaboration.

The relationship was complicated by the fact that PrintersCo had been using office space provided by its partner. A personal relationship formed during PrinterCo's owner's time in the FormCo office resulted in some disapproval from other employees. This created tension between the FormCo managing director, who continued to help PrintersCo, and his staff.

The two firms also appear to have differences regarding the importance that they should each have been accorded. Comments made by both interviewees reflect the sentiment that they were not regarded as important by the partner firm:

PrintersCo:

“[The managing director of FormCo] used to be good with short-line printing work in New Zealand—innovative and ahead of the market—but the market has changed so much now ... he is left behind; if he changed his attitude he would be fine ... PrintersCo buy NZ\$4 million worth of printing a year ... wouldn’t you send someone around?” (C14F2R1INT1)

“No-one visits PrintersCo from FormCo to service the account, therefore they are not seen and jobs are not picked up. This would add value to their service—I always put a price on that old value.” (C14F1R1INT1)

FormCo:

“A business relationship is a two-way thing.” (C14F1R1INT1)

“Betrayal of trust had to do with the realisation that the relationship ... was only one-sided; it was a financial arrangement for his benefit; the loss of respect was something that came out of this complex relationship.” (C14F1R1INT1)

In addition, FormCo claims that the alliance holds no real benefit for it. As mentioned before, the inherent repeat-customer advantage is lost because PrintersCo does not disclose who jobs are being quoted for, despite assurances from FormCo that employees would not knowingly approach PrintersCo customers for work. The underlying understanding is that FormCo would not have any contact with PrintersCo end-users. This essentially precludes FormCo from providing any advantages to loyal customers.

FormCo is gradually reducing the amount of work conducted with PrintersCo:

“[I] don’t see [PrintersCo] being a customer in the next 12 months unless there is a change in the way [the director] wants to do business.” (C14F1R1INT1)

In comparison, PrintersCo holds the view that, while preferred suppliers were given an opportunity to quote on a job for past clients, they still had to be competitive to retain the work.

### **Managerial Perceptions**

According to PrintersCo, two things affect this relationship: increasing product shift in the marketplace and the non-competitiveness of its partner. PrintersCo holds the view that the customer judges on the basis of price. Despite the view of manufacturers, price should not affect quality, and while PrintersCo maintains a price-driven approach, it does not feel that quality is compromised.

Another major influencing factor appears to be the view that both firms hold with regard to brokers. FormCo expresses the following views of PrintersCo and its director:

“PrintersCo find a series of people who they are prepared to deal with and then basically play them off against each other ... drive price out of the equation to the point where no-one is making any money apart from the middlemen—there is quite a degree of resentment in the industry.” (C14F1R1INT1)

“[His] relationship is restricted by the fact that he has a computer program that spits out a request for a quote automatically regardless of the customer—this goes to numerous suppliers who don’t know if they are dealing with a regular customer or not.” (C14F1R1INT1)

This does not mirror the view of PrintersCo:

“PrintersCo are proud of what they are doing—they are not the biggest broker in Auckland but they definitely take hold of technology and run with it. They don’t have the investment in plant and are customer-focussed not production-focussed.” (C14F2R1INT1)

“Brokers are a thorn in a lot of manufacturers’ sides—they have an understanding of the industry and the capabilities of what can be done ...” (C14F2R1INT1)

PrintersCo recognises the importance of changing with the market and believes that one of the major problems is that FormCo has not matched market movements. This has resulted in operations that are less than competitive and are not necessarily what the market requires due to their own internal problems or management structure. PrintersCo claims that the gap in the relationship has widened because of market changes and their impact on both firms. While one firm has embraced technological changes and had the flexibility to do so, its partner is not thought to have achieved this.

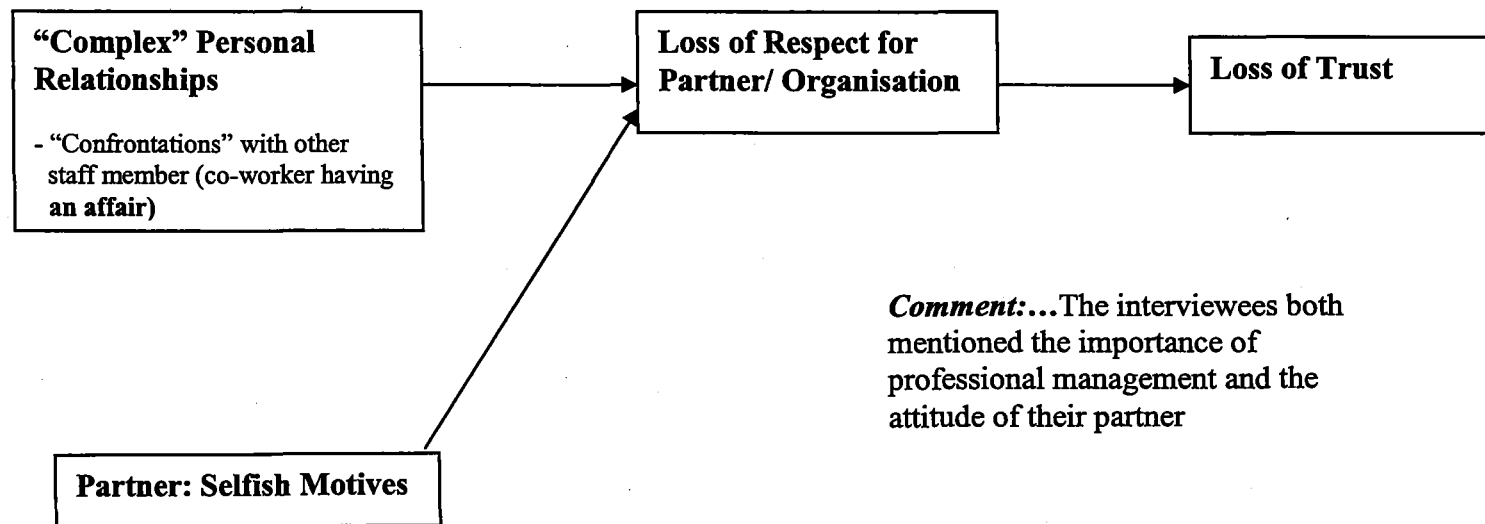


The cognitive maps also reflect the diverse views of the two partners. In this case there were no comparable factors in the maps. This diversity can be seen in the maps on p.294–295. The focal firm appeared to focus very much on the loss of trust and negative personal interactions within the collaboration. The partner firm, however, concentrated on many supply-related issues such as quality, price and service, as well as on the management of FormCo.

### Summary

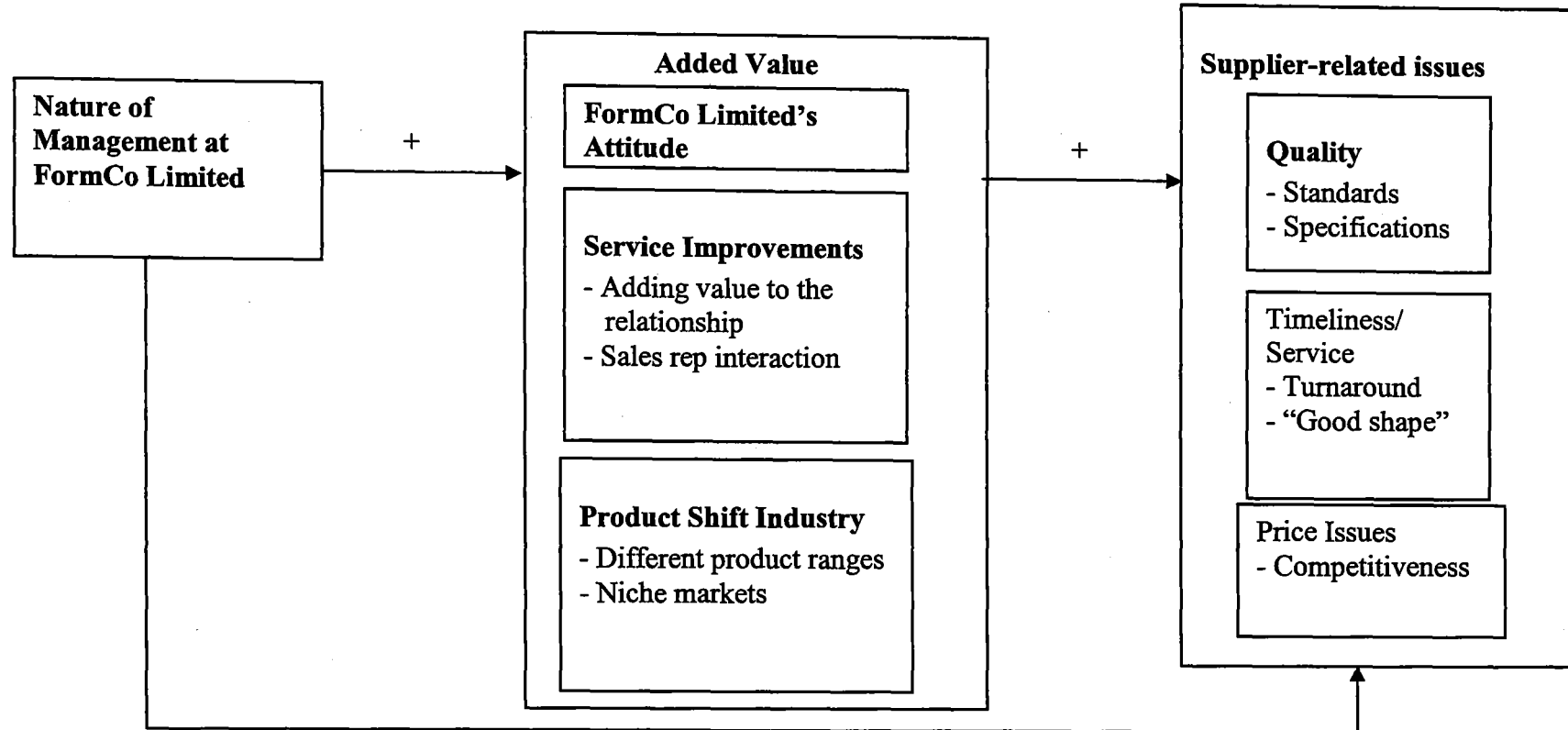
This case highlights the *impact of disparate objectives* within a collaboration. The case also demonstrates how *difficult personal relationships* may influence the achievement of collaborative outcomes. The negative interactions between the two key individuals appear to have had a significant impact on the relationship, particularly from the perspective of the focal firm. Whilst a formal agreement was adopted, the *importance of an agreement that meets with the approval of all partners* becomes evident in this case, because here one partner had effectively had no input into the agreement formulation and this resulted in ongoing negative consequences.

**Figure 4.19: C14F1R1INT1: Focal Firm Print Brokers**



**Comment:**...The interviewees both mentioned the importance of professional management and the attitude of their partner

**Figure 4.20: C14F2R1INT1: Partner Firm Print Brokers**



### 4.3 Chapter Summary

This chapter outlines the key details provided by the single-case summaries. Overall, each of the case summaries provides useful insights into the varying facets of collaborative relationships and outcomes. The research-related implications of these are discussed below.

#### 4.3.1 Research Issues

##### *Capturing multiple managerial perceptions*

In the first instance, the cases clearly demonstrate the importance of including the responses of more than one partner in a relationship and having multiple informants within individual firms.

The initial sampling frame was based on the responses of an individual from one participating firm, as is commonplace for much of the research on collaborative relationships. In most cases, the subsequent research conducted for this study involved interviewing all partners and involved multiple respondents from each firm. Notable exceptions to this were the Container Shipping and Insurance Brokers where an effort was made to ensure a reasonable number of partners were interviewed. In the case of EFTPOS, at least one informant from all the major partners was interviewed. This approach was utilised in order to build a picture of the alliance based on the contribution of all partners. The differences and amplifications emerging as a result of information-gathering from more than one informant confirm the importance of the wider data collection.

A close study of the case summaries highlights the constraints that data collection from one side of the dyad may have on the accurate description and measurement of key factors associated with the achievement of objectives or collaborative outcomes. In some cases, the initial observations made by the focal firm respondent were not supported by the other participants. This was clearly demonstrated in cases such as Container Shipping where the focal firm had classified the relationship as performing “above-average”, but other participants had mixed views on the extent to which the relationship had in fact met expectations. While this demonstrates the problems associated with basing alliance research on self-reports from a single informant, it also

highlights the difficulty associated with aggregating responses from multiple informants when those responses are inconsistent, as they are in several of the cases described above.

### *Classification and understanding of key factors*

The case summaries also clearly highlight differences in understanding of the key factors used in the literature with regard to the discussion of collaboration. In this study, the firms contributing to the initial sampling frame were required to answer key questions associated with the relationship to allow classifications of the alliance with regard to technology, geographic scope, strategic logic and outcomes. Whilst the consideration of these criteria is of strong interest in academic research, the in-depth interviews demonstrated the extent to which informants might also mis-understand questions concerning these concepts in a survey. In a purely survey-driven study, the likelihood of identifying this issue is remote. These issues are discussed next.

#### 4.3.2 Technology

The initial questionnaire used to classify relationships within the sampling frame asked firms to classify the alliance based on the technology used in its activities. However, in some cases it became evident that informants were classifying alliances based on the technology involved in the *industry* in which they operated, regardless of the extent to which the alliances themselves were involved in *technologically-intensive* activities. For instance, in the Computer Distribution case study, the alliance activity involved the distribution of computers and peripherals. The relationship was, however, initially classified as a “high technology” alliance. The case summaries indicate that the place of both firms in the computer industry influenced its classification.

This same discrepancy was also apparent in the Auto Finance case study. The key collaborative activity in this collaboration was the provision of finance to automobile purchasers. However, the focal firm was a world-leader in the manufacture of European cars. On this basis, the relationship had initially been categorised as a “high technology” alliance.

### 4.3.3 Geographic Scope

This categorisation was designed to indicate the extent to which the relationship was either domestic or international in scope. For the most part this was clearly identifiable. However, an interesting aspect highlighted in the case studies was the extent to which a local alliance might in fact be affected by the wishes of an overseas affiliate or head office. This was demonstrated, for instance, in the Auto Finance case, where the relationship was formed between two NZ-based firms. Despite the success of the joint venture, the relationship was dissolved at the request of the overseas office of the focal firm. The wishes of the local partner firms for the relationship to continue were not heeded.

### 4.3.4 Strategic Logic

The categorisation of a relationship as displaying cumulative or complementary logic within the sampling frame was achieved by asking the initial respondent to describe the extent to which the firms provide similar or dissimilar inputs to their alliance. Many relationships were categorised as displaying cumulative logic, when in fact the case summaries would indicate that in fact they were complementary relationships. This was seen in three of the less successful relationships: Chemical Mining; Vibratory Technology and Shopfitting.

In all three of these cases, the alliance partners clearly contributed very different inputs to the alliance. In the case of Chemical Mining, one firm was involved in mining raw materials and the partner was involved in distribution. In the Shopfitting relationship, one firm manufactured the fittings whilst the partner designed according to the specifications of the client. The Vibratory Technology relationship was formed on the basis that the focal firm could provide the partner with key technology procedures that the partner firm was not willing to acquire.

These cases demonstrate the extent to which the views of the partners might influence perceptions of logic within an alliance. The partners within these relationships appeared to have made categorisations on the basis of their perceptions of input *importance* as opposed to the *nature of the inputs*.

#### 4.3.5 Outcomes

Perhaps the most striking research consideration was raised by an examination of collaborative outcomes. The participants in this study demonstrated the extent to which the measures that managers use to assess collaborative outcomes can differ among partners within an alliance, and among managers in the same firm assessing a particular alliance. These inconsistencies were seen in the narratives, the structured questionnaire responses and the cognitive maps. For example, in relationships such as those in the Computer Distribution and Conveyor Belts case studies, the informants appeared to have a shared and comparable understanding of key outcomes. This was not the case in many of the alliances where objectives were not achieved. In the case of Chemical Mining, no real agreement was reached on key outcomes, and in Shopfitting both partners listed a diverse set of outcomes with no comparability.

The multifaceted perceptions of performance pose real challenges for measuring outcomes and building theory in the area. A noteworthy issue raised by these considerations is the extent to which extant literature has treated many of the constructs as dichotomous and uni-dimensional when in reality they are continuous and multi-dimensional.

#### 4.3.6 Richness of Case Information

Overall, the case summaries provide in-depth description of 14 collaborative relationships. The emphasis on retaining richness within each case summary promotes the examination of what are essentially multi-dimensional elements subject to varying perceptions. This is of value when one considers the differing perceptions that are apparent with regard to technology, logic and outcomes.

Any attempt to draw commonality between the alliances in this study needs to do so while still retaining the diversity and the differing perspectives of managers. Whilst the end result appears to be 14 diverse cases, a key aim within the cross-case analysis is to highlight these commonalities whilst retaining the richness of the information.

## **Chapter Five : Cross-Case Analysis I—Collaborative Outcome Facilitators**

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## **Chapter Five : Cross-Case Analysis I— Collaborative Outcome Facilitators**

### **5.1 Overview**

Chapters 5 and 6 discuss key themes emerging from the cross-case analysis. Chapter 5 examines elements which help successful collaboration; Chapter 6 at those which make collaboration more difficult.

#### **5.1.1 Analysis Process**

This process has been guided by basic cross-case analysis procedure outlined in Chapter 3. The cross-case analysis has primarily involved an inductive use of the case summaries to develop and explore emerging themes. They are not used deductively to test any predetermined hypothesis. According to Patton (2002), immersing oneself in the details of the cases enables the discovery of important themes and interrelationships. In keeping with Patton (2002), the analysis process ends with a synthesis of the cross-case results. This synthesis is represented in the themes contained in Chapters 5 and 6.

#### **5.1.2 Themes**

Five key themes, which link various aspects of collaboration with collaborative outcomes, have been identified and refined through this analysis process. In synthesising the cross-case results, an attempt has been made to maintain the integrity of the research objectives in holistically capturing the dynamics of collaboration. Chapter 5 outlines the first three themes that have emerged through the cross-case analysis:

- Theme 1—Collaborations with formal agreements are more likely to achieve collaborative objectives
- Theme 2—Relational variables are associated with achievement of collaborative objectives
- Theme 3—Mutual understanding and favourable partner assessments in key collaborative areas were associated with achievement of collaborative objectives

These are presented as *collaborative outcome facilitators*, as they are likely to contribute to achievement of collaborative objectives.

## 5.2 Theme 1

### **Collaborations with formal agreements are more likely to be successful**

#### 5.2.1 Key Evidence

In this study, all of the collaborations that achieved objectives had a formal agreement. Three of these were joint ventures (EFTPOS, Auto Finance and Property Developers); the remaining four were contractual collaborations. In contrast, four of the collaborations where objectives were not achieved had either an informal agreement or no agreement at all. None of the collaborations in this category were joint ventures.

#### 5.2.2 How Do Formal Agreements Contribute to the Achievement of Collaborative Objectives?

A formal agreement provided a clear focus and set in place guidelines for collaborative activities and management within the collaborations. The presence of a strong agreement also appeared to enhance shared values between the alliance partners (perhaps through the clear focus) and helped conflict resolution. Focus on the collaborative activities, shared values, and the ability to resolve conflict increased the chances of the collaborations succeeding. These factors, and their impact on collaborative outcomes, are discussed next.

##### *Focus*

A formal agreement provided a clear focus on the core business of the alliance, thereby increasing an alliance's chances of meeting partner expectations. Almost all of the collaborations that had achieved their objectives demonstrated a clear focus that was created by the nature of their agreement. This focus was achieved through:

- structural considerations (sole/exclusive distribution arrangements or joint ventures)
- a clear delineation of the responsibilities and expectations of the partner firms
- a corresponding concentration on core alliance activities.

In many cases such a focus was designed to encourage greater concentration on core collaborative activities. The manner in which a formal agreement encouraged focus, and its importance to the achievement of objectives, are described next.

*How did a formal agreement encourage focus?*

In the first instance, the nature of the agreement between the partners created a structure that was conducive to maintaining a focus on the collaboration. As mentioned, of the alliances that had achieved their objectives, three were joint ventures and the remaining four were contractual collaborations that created situations of exclusive/sole distribution.

The text units shown in Table 5.1 indicate that these collaborative forms appeared to reflect the level of importance attached to a formal agreement and encourage adherence to it.

The EFTPOS case illustrates the link between an agreement and focus. EFTPOS interviewees claimed that the agreement instituted a clear structure right at the beginning of the alliance. As one executive said:

“Well, we have got the basic legal structure right at the outset.” (C7F2R1INT1)

Others also highlighted the agreements’ relevance to both alliance management and focus:

“[The] participants’ agreement is the cornerstone for how we manage [this alliance].” (C7F3R1INT1)

“It has been important to keep yourself tightly focused on a limited range of activities ... that is why it is very important to have a clear understanding of what the boundaries are.” (C7F1R1INT1)

Evidence on the link between a formal agreement and focus within the other two joint ventures was consistent with that in EFTPOS. For example, Auto Finance interviewees said that “the joint venture agreement document was very carefully put together ...” (C9F1R2INT1). The amount of effort involved was justified by one of the executives:

**Table 5.1: Text Units for Theme 1**

<b>Collaboration</b>	<b>Agreement Importance—Text Unit Examples</b>	<b>Focus—Text Unit Examples</b>
Computer Distribution	<p>“You are talking about an exclusive contract, you live and die by it, you go all the way.” (C1F1R2INT1)</p> <p>“We have to basically uphold the [partner’s] specifications as laid down on paper ...”(C1F1R3INT1)</p>	<p>“Historically [our partner’s product] has been managed quite separately ... we have a separate business division.” (C1F1R1INT1)</p> <p>“[Our partner] want an absolute focus on [its product] ...” (C1F1R2INT1)</p> <p>“They distribute our product exclusively in New Zealand ... obviously what we want them to do is maximise [our product’s] working potential ... ” (C1F2R1INT1)</p>
Conveyor Belting	<p>“We had a full agreement about the terms of our co-operation and this has never been discussed as far as I believe.” (C3F2R2INT1)</p>	<p>“We are solely in the conveyor belt and transmission belt business ... ” (C3F1R1INT1)</p> <p>The overseas partner in the Conveyor Belt collaboration:  “One thing is most important ... he is an exclusive agency for our products and he is concentrating on our products ...” (C3F2R1INT1)</p>
Container Shipping	<p>“There is certainly an agreement that would have been done at the principals’ level in the United Kingdom ... [A] trade participation agreement is drawn up ... so we know what our trade share is ...” (C5F1R1INT1)</p> <p>“There are rules and conditions of being members ...” (C5F1R2INT1)</p> <p>“The [agreement] encourages long term positions to be take by the members.” (C5F1R2INT1)</p>	<p>“The conference agreements are underpinned by a sharing agreement [for] ... just this conference ... there is an agreed share which they try and stick to ... ” (C5F2R2INT1)</p>
EFTPOS Processing	<p>“Well we have got the basic legal structure right at the outset.” (C7F2R1INT1)</p> <p>“[The] participants’ agreement is the cornerstone for how we manage [this alliance].” (C7F3R1INT1)</p>	<p>“One of the things that makes [the joint venture] attractive is it’s got a clearly defined role and responsibility ... a clear purpose.” (C7F3R1INT1)</p>

	<p>"It has been important to keep yourself tightly focused on a limited range of activities ... that is why it is very important to have a clear understanding of what the boundaries are." (C7F1R1INT1)</p>	<p>"We have tried to create EFTPOS into a business in itself ... the objective of the core business is to provide the lowest-cost, highest- availability EFTPOS service ..." (C7F1R2INT1)</p> <p>"[We] have a management structure and a board with specific responsibility ... [this] is a more robust model because you have clear accountability." (C7F3R1INT1)</p> <p>"I think the various parties have been quite jealous to maintain that focussed approach ..." (C7F4R1INT1)</p>
Auto Finance	<p>"The joint venture agreement document was very carefully put together ..." (C9F1R2INT1)</p> <p>"A joint venture agreement was worked on ... it took a long time ... but I think all of us were convinced that we had the ... potential to do something quite exciting." (C9F2R1INT1)</p>	<p>"For all intents and purposes we ran as a separate company ..." (C9F1R1INT1)</p> <p>"[Our partner] basically ran [this joint venture] as another division of [its firm] ..." (C9F1R2INT1)</p>
Property Developers	<p>"There was no formal agreement, really a handshake, then we formed a company ..." (C11F2R1INT1)</p>	<p>"We had agreed that we would develop the site jointly ... [it was set up to] just carry out development work." (C11F2R1INT1)</p>
Logistics	<p>"We had an initial five-year contract ... we extended that for 10 years...had all sorts of things in there ... rights, in case you had disputes, mechanisms for adjusting prices up and down ..." (C13F1R1INT1)</p> <p>"[The focal firm] came up with a very good proposal ... so we negotiated the contract to get the numbers right ..." (C13F2R1INT1)</p>	<p>"What made it work was that there were a number of trucks that were dedicated to one function and weren't doing anything else." (C13F1R1INT1)</p> <p>"It's not a joint venture in entity but effectively is in concept." (C13F1R1INT1)</p>

“It took a long time ... but I think all of us were convinced that we had the ... potential to do something quite exciting.” (C9F2R1INT1)

Interestingly, contractual arrangements in the other successful alliances also achieved a similar level of focus on the collaboration by using sole/exclusive distribution agreements. For example, Computer Distribution executives had this to say: “... you are talking about an exclusive contract, you live and die by it, you go all the way” (C1F1R2INT1). Implicit in this was the fact that the agreement would be adhered to, and the same sentiment was voiced by others in the collaboration: “We have to basically uphold the [partner’s] specifications as laid down on paper ... ” (C1F1R3INT1). In other cases, an agreement created “rules and conditions of being members” and encouraged “long-term positions to be taken”. The agreement effectively provided some degree of security among the partners. However, as one interviewee in the Conveyor Belts case suggested, it was not always necessary to refer to the document:

“We had a full agreement about the terms of our cooperation and this has never been discussed as far as I believe.” (C3F2R2INT1)

In contrast, many of the collaborations where objectives were not achieved appeared to have attached little importance to an agreement and had a lower level of focus in their collaboration. There were no joint ventures or exclusive contracts among these collaborations. For example, in contrast to EFTPOS, the Vibratory Technology collaboration functioned on an informal agreement. Even though one interviewee indicated that “there had been at one stage discussions that [they] should formalise something”, this never eventuated. Loose discussions of objectives and the notion of “fostering smaller firms” resulted in a collaboration that failed to secure adequate levels of work from the partner firm.

Other collaborations where objectives were not achieved reflected a similar view. For instance, an agreement was not considered necessary in the Shopfitting collaboration. A history of contact between the two firms perhaps confirmed the view that a contract was not required. These comments made by the partner firm reflect this sentiment:

“In theory there shouldn’t have been a formal agreement, and initially we didn’t have one. Once we started having a few niggles the joint lawyer started saying we should formalise it. In the end ... you can walk through any contract if you have a problem anyway ... it comes down to trust ...” (C12F2R1INT1)

The Property Developers alliance, in comparison, functioned with a formal agreement despite its simplistic collaborative activity.

In other collaborations where objectives were not achieved, experiences with contract negotiation and alliance function severely influenced the interviewees' view of the importance of an agreement. This was clearly the case in the Print Brokers collaboration. Print Brokers functioned for many years without a formal agreement. When the partner firm initiated a contract, some resentment was felt on the part of the focal firm. As the managing director commented:

"He wrote the agreement that he wanted signed and brought it around and said [he'd like] to formalise it ... in large part it covered what I had to do to remain in their good books ... there is a contract that is entirely one way ..." (C14F1R1INT1)

Conversely, it was the novel nature of the Logistics agreement that provided a major advantage. Here, the apparent imbalance of power was not felt to outweigh mutual benefits, and the agreement allowed flexibility, built on focus, respect and trust.

The contract negotiation process had a severe impact on how interviewees viewed the importance of an agreement in the Chemical Mining collaboration. The managing director of the focal firm outlined how cultural differences had complicated the contract negotiation:

"A Japanese concept of a contract is totally different to a Western concept of a contract ... It is automatically implied that it will change to suit the change in circumstances ... we learnt that one the hard way ... [Now] we don't even bother getting interpreters, we don't bother putting things in Japanese, we put it in English so at least we can always look at it and say ... we understand it ... all it is is a sign of good faith ..." (C2F1R2INT1)

Like Chemical Mining, Computer Distribution was also an international alliance. However, cultural differences did not have any impact on the alliance or agreement process in this case.

*Why was "focus" an important factor for the achievement of collaborative objectives?*

The focus evident in successful collaborations encouraged an intense concentration on core alliance activities, the key being that these activities and responsibilities were most often outlined within a detailed agreement. The level of detail and planning undertaken

in forming these agreements increased the ability of the alliance to achieve its collaborative outcomes. The interviewees' comments reflected the importance of an agreement in establishing a structure and boundaries within the collaboration, thereby contributing to the achievement of objectives (refer to Table 5.1).

In many collaborations a concentration on the core alliance activity was seen as crucial for the achievement of objectives. Cases where this was demonstrated with some strength were EFTPOS, Computer Distribution, Conveyor Belts and Logistics.

The EFTPOS collaboration illustrates the importance of this clear delineation. This alliance involved a number of large industry competitors within the NZ banking environment. Each partner was required to cooperate within the alliance but preserve competitive integrity. The impact of this was evident among the interviewees: "I think the various parties have been quite jealous to maintain that focused approach ..." (C7F4R1INT1). Whilst an alliance for EFTPOS processing made strong "commercial sense", there was clearly a need to avoid any allegations of collusion or unfair competition. With this in mind, the key initiators ensured a detailed agreement that outlined the role of the joint venture and maintained its function as a utility. As one key executive said:

"We have tried to create EFTPOS into a business in itself ... the objective of the core business is to provide the lowest-cost, highest-availability EFTPOS service ..." (C7F1R2INT1)

In Computer Distribution, the management of activities associated with the alliance were contained within a separate division. The importance of this structure was recognised by both the focal firm:

"[Our partner] wanted an absolute focus on [their product] ..." (C1F1R2INT1)

and their partner:

"They distribute our product exclusively in New Zealand ... obviously what we want them to do is maximise [our products'] working potential ..." (C1F2R2INT1).



As mentioned in Chapter 4, the need to focus and commit to the partner's product was also evident in the cognitive maps completed by each of the focal firm interviewees in the Computer Distribution case.

Similar sentiments were present among the Conveyor Belts partners. The focal firm had a focused view of the collaboration:

"We are solely in the conveyor belt and transmission belt business." (C3F1R1INT1)

The importance of this concentration was mirrored by their overseas partner:

"One thing is most important ... he is an exclusive agency for our products and he is concentrating on our products ..." (C3F2R1INT1)

This singular dedication to the alliance function was also apparent in the logistics case:

"What made it work was that there were a number of trucks that were dedicated to one function and weren't doing anything else." (C13F1R1INT1)

Most importantly, however, the collaborations where objectives were achieved had detailed agreements that supported the alliance function. For example, the Logistics agreement was set-up to mirror the functions of a joint venture and contained details regarding trucks, uniforms and personnel. Similarly, the EFTPOS participants' agreement detailed objectives for the joint venture and its core business, principles of operation, and particulars regarding key member responsibilities. The EFTPOS interviewees consistently voiced the need to keep control of the activities with a focus on the core business and a concentration on efficiencies. All these requirements were captured within the agreement and were seen as vital for customer satisfaction. The focus created by the agreement was also reflected in the structured questionnaire. The respondents in the EFTPOS alliance, for instance, showed very little difference in how they listed the collaborative activities and rated their importance. It also contained procedures for the introduction and withdrawal of participants.

### *Conflict resolution*

The cross-case evidence suggests that a strong collaborative agreement appeared to assist in the conflict resolution process.

The link between collaborative agreements and conflict resolution is discussed next.

*How did a formal agreement support conflict resolution?*

Many of the interviewees did comment on the conflict experienced in their collaboration, but the key difference between those collaborations that achieved objectives and those that did not appears to be in how these situations are managed by the alliance partners. In many of the collaborations where objectives were achieved, formal agreements had mechanisms built in for dealing with conflict.

As strongly illustrated by the EFTPOS alliance, conflict resolution was “often at board level”, through reference to existing structures and documents, or alternatively through the “development of long-lasting policy”. An agreement that has determined equal shares for partners and ensured the maintenance of “neutrality” has minimised any conflict that may have arisen in this alliance. The participants’ agreement contained specific information on its importance as a governing document in situations where conflict might arise. Excerpts from the agreement highlight this:

“Clause 10.4: Disputes

If at any time any dispute shall arise between two of the Participants or between, on the one hand, the JVC and, on the other hand, a Participant, touching or concerning the construction, meaning or effect of this Agreement ... or the rights and liabilities of the parties ... then every such dispute shall be referred to the arbitration ...

Clause 10.5: Governing Documents

In the case of any conflict or inconsistency between, on the one hand, the terms and provisions of any other agreement or contract or document between the Participants relating to, or affecting, the business or affairs of the JVC and, on the other hand, the terms and provisions of this Agreement as may be applicable shall prevail. In the event of any conflict or inconsistency between the terms and provisions.”<sup>10</sup>

In the Auto Finance collaboration, interviewees expressed the view that the agreement “made things a lot easier because you always knew there was a fallback ... if you do have a problem it’s all in writing” (C9F1R1INT1). The agreement also simplified issues faced later in the collaboration at the time when the focal firm initiated a buyout clause in the joint venture. As the partner said:

“When [the focal firm] introduced all these objections ... we knew the procedure because ... one of the great beauties of [the joint venture] was that it had this wonderful calculation for how we would arrive at the price of shares.”  
(C9F2R1INT1)

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<sup>10</sup> These excerpts have been obtained from the joint venture agreement. This document remains confidential.

A key factor in the Logistics alliance was the simplicity of the agreement:

“So the whole thing is easy, simple, transparent ... there’s nothing hidden, nothing comes back to bite ...” (C13F1R1INT1)

*Why were conflict resolution mechanisms important for the achievement of objectives?*

In the collaborations where objectives were achieved it was apparent that conflict was resolved without any sustained impact on key collaborative outcomes. Agreements and conflict resolution mechanisms provided a consultation document that partners could refer to when any conflict was evident. For instance, in the case of Logistics, the agreement was consulted when an employee was caught stealing property. The alliance partners were able to deal with this without compromising their relationship with each other. Similarly, the agreement allowed the EFTPOS partners to painlessly readjust shareholding and responsibilities with partnership changes. In short, it allowed partners to handle conflict on a more rational level.

Interestingly, the same effect was not evident in the collaborations where objectives were not achieved. In these cases conflict was, in many cases, not resolved at all. In the Chemical Mining collaboration for instance, rather than being able to directly resolve conflicts, the focal firm appears to have learned to deal with these issues. Comments made by the focal firm interviewees reflect this: “Our relationship ... has been a rocky one but has now stabilised ...” (C2F1R1INT1). This level of stability was not achieved by clarifying or resolving issues; rather, the focal firm has altered the way in which they deal with their partner:

“The relationship with [our partner] is continually evolving ... At this point in time we are ... ring-fencing [our partner], saying this is where you are ... ” (C2F1R1INT1)

Similar difficulties were seen in the Training Video alliance, where comments by the managing director of the NZ focal firm illustrated that the contract proved to be a burden: “... the relationship the whole way through, [has] driven their obsession with keeping us to that contract that was basically unkeepable ...” (C6F1R1INT1). In fact, key senior personnel who would have been involved in resolving conflict were not regarded to be impartial:

“The managing director of [the partner firm] was not an easy person to get on with ... As soon as she was bought back into any decision-making process or any part of the relationship it all went back to zero.” (C6F1R1INT1)

Ultimately, the cross-case analysis indicates that those collaborations where conflict can be resolved are more likely to survive. One exception to this was the Auto Finance case where conflict resolution mechanisms were utilised but the joint venture was dissolved. The reasons for this are discussed further under local/global strategy tension in Chapter 6 at 6.2.2.

### *Shared values*

In the alliances studied, a strong collaborative agreement that created focus also encouraged shared values and a notion of solidarity among the participating firms. The association between the collaborative agreement and shared values is explored next.

#### *How did a formal agreement promote shared values among alliance partners?*

The cross-case results suggest that alliances demonstrating a high level of shared values were also those that tended to exhibit a strong focus within the collaboration, supported by the structure of a strong collaborative agreement. In effect, the agreement and focus together appeared to be crucial in creating shared values or a sense of solidarity among the partners. This was expressed in many ways. For instance, in the Computer Distribution and Logistics collaborations the focal firm assumed the identity of the partner in the local public domain. The nature of the agreement in the Computer Distribution case resulted in a collaboration that was initially exclusive, and continued to be so regardless of a global policy change. To maintain its concentration on the overseas partner's products, the NZ focal firm created a separate division.

The Logistics collaboration, underpinned by a contractual arrangement similar to a joint venture, demonstrated comparable sentiments: “Our guy who manages the show wears [our partner's] uniform ... he is part of [our partner's firm]. We just absorb ourselves in there and push [their] image ...” (C13F1R1INT1). This respondent also commented on the benefit of this business concept being compatible with the partner's other activities.

*Why was the presence of shared values important for achievement of objectives?*

Essentially, shared values encourage partner loyalty and adherence to the agreement. In effect, in the cases studied, shared values appeared to dissuade opportunistic behaviour or actions that would be counter-productive to the core collaborative activities. This enhanced the chances of attaining collaborative outcomes. In reality, the comments made by interviewees indicated that shared values and a concentration on the partnership were essential components of success:

“[Partner] focus is a success factor.” (C1F1R1INT1)

A sense of solidarity or shared vision was apparent in many of the collaborations where objectives were achieved. In the Conveyor Belts case, for instance, the overseas partner voiced a strong sense of solidarity with its exclusive NZ distributor, a view which was mirrored by the local firm:

“You asked why do you think we have a good association with [our partner] ... this degree of solidarity ... these are good guys.” (C3F1R2INT1)

Again, an adherence to the agreement and “strict company policy” resulted in any enquiries for business in the region being redirected to the NZ firm. This sense of loyalty towards the NZ firm in turn served to strengthen its loyalty towards the overseas partner.

Comments made by the EFTPOS partners also indicated that a degree of “oneness” and shared vision were crucial in their collaboration:

“Cultural compatibility drives commitment ... ” (C7F4R2INT1)

“There’s an old Chinese proverb ... two partners may share the same bed but whether or not they are successful is whether or not they share the same dreams.” (C7F1R1INT1)

“It worked well because everybody had the same aim ... ” (C7F1R2INT1)

Interestingly, even though the key individuals in the EFTPOS case may have advanced the alliance based on a shared vision, the integrity of this was later maintained and reinforced in the participants' agreement.

The presence of this degree of shared values appears to have been apparent in many of the collaborations that achieved objectives. Most importantly, a link between the agreement, focus and shared values could also be seen in the collaborations where objectives had been achieved. In contrast, no strong evidence of solidarity and shared values were found among the collaborations where objectives were not achieved.

### *Nuances*

An interesting observation among the alliances studied is the fact that none of the collaborations that functioned on an informal agreement were able to achieve their objectives.

It is also interesting to note that some of the collaborations where objectives were not achieved had contractual agreements but were still not able to achieve objectives. In the case of Chemical Mining, contract negotiation difficulties and the consequent lack of focus, shared values and conflict resolution mechanisms all contributed to relational difficulties that began when ChemCo was unable to meet its contractual obligations.

The Highway Barriers alliance experienced good relations with the partners and had a functional agreement. However, despite its efforts, the NZ focal firm was unable to secure any of the projects in the region. In this case, it was also apparent that the overseas partner did not attach as much importance to the collaboration as the NZ firm did.

### *Literature*

Previous studies have theorised that aspects associated with the form and the nature of the collaborative agreement may be crucial in understanding collaborative outcomes. These factors are discussed with regard to the findings of Theme 1. Elements that have been considered previously include the type of collaboration (eg, buyer-seller agreements, joint ventures, etc), the nature of the agreement (formal or informal), and the number of participating organisations (Gordon, 1996). Whilst the importance of a formal agreement was clearly demonstrated, this study did not identify any impact from

the number of firms participating. A key concern with regard to form and agreement has been the level of flexibility afforded to the partners and the degree of embeddedness created. According to Das & Teng (1997), these factors influence the sustainability of the alliance by aligning interests, discouraging opportunistic behaviour and encouraging reciprocity.

All of the collaborations that achieved objectives in this study had a formal agreement. The case results strongly support the view that formal agreements may in fact encourage firms to participate and consequently have an impact on collaborative outcomes. These observations corroborate those of researchers such as Luo (2002), who found that contract completeness and cooperation drive Chinese *international joint venture performance*, and Cannon, Achrol, & Gundlach (2000), who demonstrated that both contracts and social norms are effective in enhancing *supplier performance*. This was especially the case when norms such as flexibility or solidarity were well-developed. The level of agreement specificity in cases such as EFTPOS, Auto Finance, Logistics and Conveyor Belts encouraged focus and shared values, and decreased the potential for conflict, thus also establishing a link between a formal agreement and conflict resolution. Together these factors had a positive impact on collaborative outcomes. In some respects this finding differs from those in other papers (eg, Lin & Germain, 1998), where the age of the alliance was linked to a problem-solving approach to conflict which relied less on legal agreements.

Prior researchers have also provided some insight into the advantages that a clear focus can provide to a collaboration. For instance, Li & Dant (1997) found that exclusive dealing arrangements within US office photocopier industry partnerships provide a more favourable performance evaluation. Parkhe (1993) also provided general evidence that structure and performance are linked, and Hoffman & Schlosser (2001) showed that organisational design is more important for organisational success than soft factors such as trust in their study of Austrian small and medium-sized enterprises. Kale, Dyer, & Singh (2002) found that a dedicated alliance function is more important than prior collaborations. Previous work (Kale, Singh, & Perlmutter, 2000) had also suggested that post-formation alliance management is very important.

### 5.2.3 Summary

The cross-case results demonstrate strong support for the view that collaborations with formal agreements are more likely to achieve objectives. An agreement creates a focus on the core collaborative activities and allows for smoother conflict resolution. In addition, it is an important factor in the creation of shared values and a sense of solidarity among the collaborative partners. Thus, whilst the findings of this study corroborate previous studies, the research methodology allowed for a deeper consideration of *how* many of these elements were associated with each other.

The research methodology used in this study had two significant features. It interviewed **each** member of an alliance (and often more than one individual in each member) which gave a multiplicity of perspectives. Secondly, by being non-prescriptive, and using self-reporting and mapping features, the methodology gave interviewees ample opportunity to identify and explore the variety and mix of factors, influences, priorities and behaviours involved. The threads of continuity emerging here, therefore, are all significant and progress the previous literature.

## 5.3 Theme 2

### **Relational variables are associated with achievement of objectives**

#### 5.3.1 Key Evidence

The majority of collaborations where objectives were achieved expressed the presence of positive relational variables, such as commitment, trust and interpersonal relations. These alliances were: Computer Distribution; Conveyor Belts; EFTPOS Processing; Auto Finance; and Logistics.

#### 5.3.2 How are Positive Relational Variables Associated with Achievement of Objectives?

Collaborations where objectives were achieved exhibited a higher level of trust and/or commitment within the collaboration. These variables appeared to enhance a sense of common commitment, open communication and the notion of contributing to a long-term collaboration. Interpersonal relations were also an important relational variable, especially in the formative stages of an alliance. In some cases, enduring interpersonal



relationships were considered to be as critical as the achievement of key financial objectives. Understandably, positive interpersonal relations appeared to enhance trust and commitment. In addition, key positive relational variables seemed to dissuade opportunistic behaviour, and counter the impact of partner asymmetries. Trust, commitment, interpersonal relations and their relationship to the achievement of objectives are discussed next.

### *Trust and Commitment*

The majority of collaborations where objectives were achieved reported the existence of trust and commitment<sup>11</sup>. These factors appeared to accentuate positive relational variables within an alliance and encouraged positive relations within the collaboration. The impact of trust, commitment and interpersonal relations on outcomes are discussed next.

#### *How did trust and commitment encourage positive relations?*

Trust and commitment enabled collaborations to progress and continue when they may not have otherwise achieved the same positive outcome. They also facilitated collaboration among competitors and unlikely partners.

In general, trust and commitment were mentioned with some strength in the collaborations where objectives were achieved and were essentially associated with a good relationship:

“This is about trust ...” (C1F1R2INT1)

“Trust is there and I think the quality of the management team has been such that we all believe that they ... maintain a strong position of neutrality.” (C7F3R1INT1)

“There is just total trust—it’s there ...” (C11F1R1INT1)

In other cases, such as EFTPOS, trust and commitment also allowed a collaboration between competitors to develop. Comments made by the interviewees demonstrated

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<sup>11</sup> It is not the researcher’s intention to debate definitions of trust and commitment. The definitions of, and allusions to, these elements reflect the views of the interviewees in this study.

this: “We found we liked each other ... open-minded people coming through the ranks, we had a common commitment” (C7F4R1INT1). More importantly, the presence of trust and prior experience allowed this collaboration to progress:

“Trust ... comes from personal knowledge and experience with one another ...”  
(C7F4R2INT1)

The converse was true in several of the collaborations where objectives were not achieved. Many of these cases demonstrated a distinct lack of trust and commitment. One executive in the Print Brokers collaboration had this to say: “I don’t think any relationship exists without trust ... so on that basis there is no basis for a relationship!” (C14F1R1INT1). This sentiment was echoed in other collaborations. For example, the managing director of the NZ firm in the Chemical Mining collaboration had this to say after things started going wrong with production: “[Our overseas partner] didn’t have the expertise, the commitment, the desire to figure out what the real issue was ...” (C2F1R1INT1). This consequently affected the level of confidence that the local firm placed in their collaboration: “Trust and competency came up, I just don’t think they are particularly confident” (C2F1R1INT1). A general feeling of mistrust was also evident in the Insurance Brokers alliance, to the extent that some interviewees voiced their concern at conducting joint activities:

“We wouldn’t have done joint marketing because we wouldn’t want to give our marketing secrets away to one another.” (C10F1R1INT1)

#### *Why did trust and commitment encourage achievement of objectives?*

In the first instance, trust and commitment promoted strong open communication and “good partner relations”. For example, the overseas partner in the Conveyor Belts collaboration had this to say: “It is a very pleasant relationship and we are very open with each other, sometimes different opinions but at the end it is always a very fair relationship—it’s actually a pleasure ...” (C3F2R1INT1). Similar sentiments were voiced in the Computer Distribution alliance where, “total and honest disclosure were fundamental”:

“It’s an open relationship ... they will disclose information to you of a highly sensitive nature ... In terms of supplier–customer relationships it would be one of the most open I have experienced.” (C1F1R1INT1)

The cross-case results also highlighted the role of both trust and commitment in attenuating partner asymmetries and protecting the integrity of a collaboration. This effect was observed in the Conveyor Belts collaboration. In this case, competitors of the small local firm approached the overseas partner for exclusive distribution in New Zealand. This proposal was promptly turned down, and the NZ firm was informed of their competitor's actions. In effect, commitment and trust provided continuity:

“We have a good partnership ... we trust them implicitly ...” (C3F1R1INT1),

and:

“Consistency is the fact that they are ... in business for the long haul.”  
(C3F1R1INT1)

Conversely, the absence of trust and commitment could create a less favourable outcome in the collaborations where objectives were not achieved. For instance, perceived size differences and partner motivations affected progression of the Insurance Brokers collaboration. Interviewees voiced their lack of trust in the primary instigator:

“There was one motivation that came out which was quite different from all the others ... [our initiating partner] saw it as an opportunity to grow his own company ...” (C10F3R1INT1)

Communication difficulties were consequently experienced in other such collaborations. This was evident in the Chemical Mining alliance: “The Japanese are very much prone to not giving you bad news ... I realise that we didn't have enough information ... communication ...” (C2F1R1INT1). In the first instance, there appears to be a cross-cultural difference; however, the overseas partner also highlighted the lack of effective communication: “It is more a case of misunderstanding ... [there] wasn't enough communication” (C2F2R1INT1). By comparison, the Computer Distribution collaboration exhibited total, open disclosure.

Among the collaborations where objectives were achieved, “good partner relations” were often viewed as an important outcome by one or more of the partners. This appeared to strengthen the significance attached to maintaining partner relations within the alliance. For instance, the interviewees in Conveyor Belts both highlighted “partner relations” as an important factor in the mapping exercise (p.321–322). Commitment,

honesty and personal relations were clearly valued by both partners. In contrast, the managing director of the focal firm in the Print Brokers alliance demonstrated his view that “complex” partner relations in fact decreased the trust within their alliance. This could be seen earlier in their cognitive maps in Case 14. The relevance of interpersonal relations is discussed further in the following section.

### *Interpersonal relations*

In general, positive interpersonal relations and interactions appeared to support efficient partner relations and were particularly important in the formative stages of some alliances. Differences between the cases where objectives were achieved and collaborations where objectives were not achieved could be observed.

#### *How did interpersonal relations support positive relations within an alliance?*

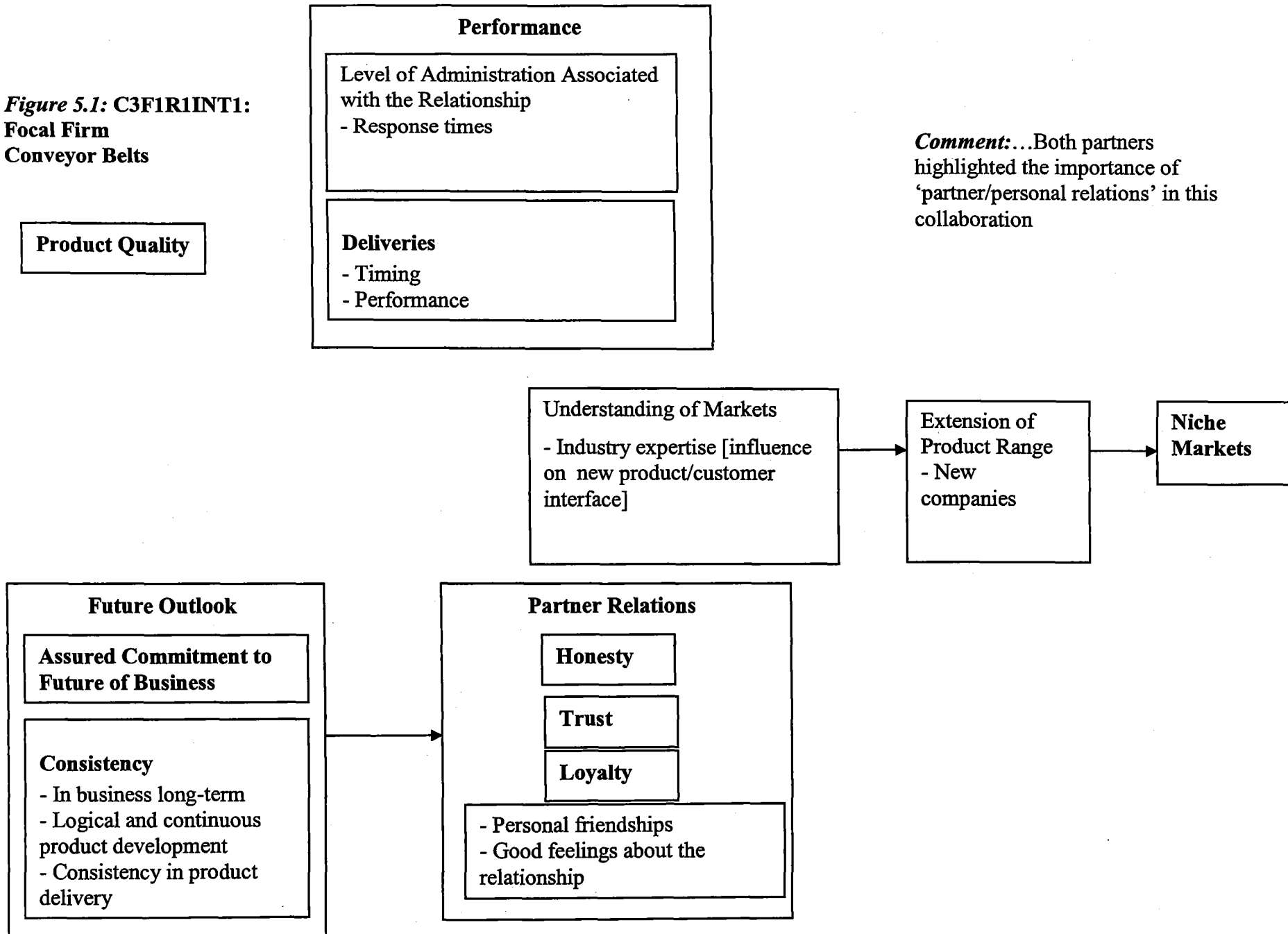
Most importantly, interpersonal relations allowed for smooth communication and dialogue between alliance partners. As one interviewee suggested: “The whole thing really revolved around ... relationships ... we were comfortable with the people” (C9F1R1INT1). Inevitably, this had a positive influence in the collaborations where objectives were achieved, and personal relationships developed further:

“We’ve got personal relationships with these people—I see them every year.”  
(C3F1R1INT1)

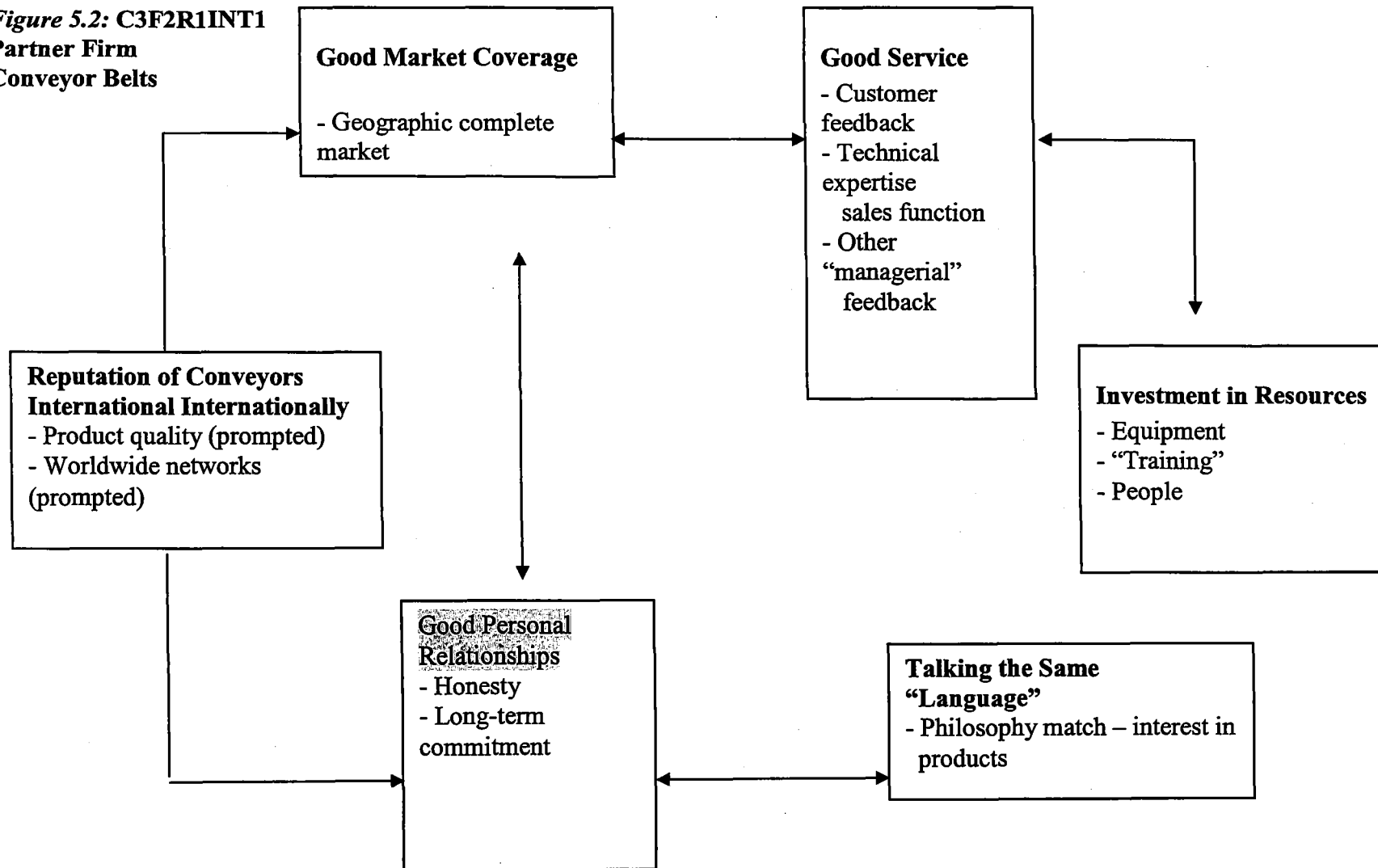
However, a negative impact could be seen among the alliances that were unable to achieve objectives. Strong interpersonal differences impeded the Training Videos alliance. In that case, both partners voiced similar sentiments. The local firm “never really got on very well” with the senior manager in the partner firm, and believed that a key negative factor in the collaboration was how the partner treated them: “One overriding factor in this relationship has been [its] inability to treat people with respect” (C6F1R1INT1). The partner’s comments appeared to reflect this:

“He sort of got carried away in one direction almost to the exclusion of looking after the basics ... [He] was always in the wrong place at the wrong time ...” (C6F2R1INT1)

**Figure 5.1: C3F1R1INT1:  
Focal Firm  
Conveyor Belts**



**Figure 5.2: C3F2R1INT1**  
**Partner Firm**  
**Conveyor Belts**



In some cases, prior interpersonal relations also allowed for ease in the formation and negotiation of a collaboration. For example, the managing director of the focal firm in the Computer Distribution alliance was personally asked to handle the distribution: “[The overseas partner] was unhappy with what had been going on ... I was approached by [them] to take it as a franchise personally ...” (C1F1R2INT1). When asked to elaborate on why he thought the firm shifted the agency to him personally he replied: “The organisation is all tightly relationship based and the fact of this contract being here for so long proves that” (C1F1R2INT1). The EFTPOS and Auto Finance experiences corroborate this link. As previously outlined in the case of EFTPOS, good interpersonal relations allowed competitors to collaborate, and in Auto Finance the partner firm’s “love of cars” and strong prior industry relationships aided alliance formation:

“I think one of the key factors to make the thing work was the knowledge that [our partner] has of the industry. The people he knew, the fact that he already had a relationship with most of our dealers ...” (C9F1R2INT1)

These cases can be compared to some collaborations where objectives were not achieved but where prior interpersonal relations had existed. Even though prior relations were apparent in both the Training Videos and Shopfitting collaborations, neither experienced uncomplicated collaborations. The key difference appears to be how relational variables related to achievement of objectives and were later reinforced during the collaboration. This link is discussed in a later section.

#### *Why did interpersonal relations encourage achievement of objectives?*

Interpersonal relations appeared to contribute to trust and commitment within the collaboration. Interviewees commented on the fact that they had personal relations with alliance partners, which increased their ability to trust them and commit to the collaboration. For instance, in the Auto Finance case the “commitment of key individuals” was cited as important for success:

“[I] think there was the commitment of [the three key individuals] to make the thing work.” (C9F1R1INT1)

“These [partner] relationships were critical to the continuation of the joint venture ... [and] comfort, commitment and knowledge I think they all sort of work together ...” (C9F1R1INT1)

"I think the relationship between [us and our partner] has been quite a contributor to the success of the company ..." (C9F1R2INT1)

These links were also demonstrated in other collaborations that had achieved objectives. In the Computer Distribution alliance, for instance, they were referred to as "employing the values of a good relationship", and the managing director commented on how "deep relationships" were crucial to maintaining the alliance.

Conversely, if interpersonal relations were negative, they appeared to create greater tension within the alliance, consequently having an impact on levels of trust and commitment. This cycle would in turn have a negative impact on commitment. This was experienced in the Print Brokers alliance when the managing director of the focal firm perceived the director of the partner firm to be engaging in unethical personal and business relationships. When asked to elaborate on the consequences of this, he replied: "I don't see him being a customer of mine within 12 months. Not unless there is a change in the way he does business" (C14F1R1INT1). There was, as he put it, "a loss of trust", which inevitably affected how much the focal firm were willing to contribute: "I was there to provide him with whatever I was prepared to give away, and at that time I decided I wasn't prepared to give him anything" (C14F1R1INT1). The end result:

"There is no longer any goodwill between [him] and anyone here." (C14F1R1INT1)

Other collaborations, such as Shopfitting and Training Videos reveal a similar impact. Strained interpersonal relations in the Shopfitting case led to a "build-up of mistrust" and a decrease in the volume of work shared by the two partners, while they had "an impact on everything" in the Training Videos alliance.

### *Nuances*

Several interesting insights were uncovered in examining the association between relational variables and achievement of collaborative objectives. *First*, while most of the alliances where objectives were achieved exhibited high levels of trust and commitment, this was not always the case. Counter examples are discussed in detail within this section. *Secondly*, the nature of the association between relational variables and achievement of objectives appears to be cyclically reinforcing. This is explored further.



*Thirdly*, technological intensity appears to be associated with achievement of objectives. The nature of this association is also examined further.

*Why was trust and commitment not evident in all collaborations that achieved objectives?*

Although most of the collaborations that achieved objectives exhibited high degrees of trust and commitment, this was not always the case. Two collaborations did not share the same level of trust and commitment. In Container Shipping, collaborating with competitors appeared to influence the level of trust placed in alliance partners in this collaboration. In short, this changed the trust among the shipping lines: "There isn't the level of cooperation that there used to be" (C5F3R1INT1). Concerns about the effectiveness of the collaboration also related back to trust and commitment: "We need to have some level of commitment to the success of this, which I call trust, to make the association work" (C5F3R1INT1). Ironically, although commitment was not present, the head offices of local shipping lines, and a formal agreement, enforced it.

In the Property Developers collaboration the simplistic nature of alliance activities may have compensated for the absence of strong relational variables. Although trust and commitment were not mentioned as a key aspect of the collaboration, they were not referred to negatively by the interviewees. Conversely, the Highway Barriers case demonstrated strong relational variables but many objectives were not achieved. However, the collaboration allowed the NZ firm to secure engineering expertise, which was a desired outcome.

*What is the nature of the association between relational variables and achievement of objectives?*

There appears to be a circular feedback loop operating between trust, commitment and the achievement of objectives. In effect, where trust and commitment were present, positive outcomes were achieved and achievement of positive outcomes enhanced trust and commitment. This explained the fact that even though some collaborations that achieved objectives exhibited minimal relational variables at the outset, these increased as the collaboration progressed. This was clearly the case in alliances such as Conveyor Belts where both trust and commitment were strengthened continuously by the actions

of both partners. For instance, when the overseas partner rejected an offer of business from a competing NZ firm, its actions merely increased the bond between the two firms.

The converse was also evident. Where collaborations exhibited less favourable relational variables, a negative impact on outcomes was generally observable. This created a feedback loop between relational variables such as trust and commitment and collaborative outcomes. Such a tendency was observed in the Shopfitting, Chemical Mining, Print Brokers and Training Videos cases, where complicated relational variables merely led to greater degrees of complication. For example, in the Chemical Mining case communication problems were evident from an early stage. However, issues associated with the change in technology served to strain these interfaces further.

#### *How is technological intensity associated with achievement of objectives?*

Interestingly, five of the eight high-technology collaborations expressed high levels of trust, commitment and interpersonal relations. Of these, Highway Barriers was the only collaboration where objectives were not achieved. Despite this, Highway Barriers had still achieved its key goal of acquiring engineering expertise. The reasons why technology-intensive alliances exhibit strong interpersonal relations need further exploration; however, various possibilities can be suggested. The most obvious of these might be that firms in these collaborations require high levels of positive partner relations before they are comfortable sharing sensitive information or proprietary knowledge with their collaborative partners. It is probable that the presence of trust, commitment and interpersonal relations are considered to be factors that can discourage opportunistic behaviour.

#### *Literature*

The extant literature offers various observations with regard to relationship dynamics (see Chapter 1 for an explanation of the use of this term). Early studies discussed the impact and importance of personal relationships within the inter-firm collaboration on outcomes (Glaister & Buckley, 1996; Ring & Van De Ven, 1994), whereas others have suggested that trust and social knowledge may be a substitute for external control (Das & Teng, 1997). Gulati (1998) also discussed the importance of social networks for the achievement of objectives. This study indicates that interpersonal relations are important, but they are not sufficient to ensure achievement of objectives. The results

also indicate that, while trust and commitment may support external control, they have not replaced it in any of the alliances that achieved objectives.

In addition, many researchers have suggested that achieving collaborative objectives requires commitment and trust (Aulakh, Kotabe, & Sahay, 1996; Mohr & Spekman, 1994; Morgan & Hunt, 1994). Morgan and Hunt detailed three precursors to trust and commitment: termination costs and benefits; shared values and level of communication; and opportunistic behaviour. In fact, trust and commitment are thought to encourage a high level of cooperation, and develop as a result of past experience, reputation and shared values (Ireland, Hitt, & Vaidyanath, 2002). Although Zaheer, McEvily, & Perrone (1998) found that organisational trust has a direct link to alliance performance, but interpersonal trust does not, this study suggests that interpersonal trust is also important for collaborative outcomes.

Additionally, communication has been discussed in the literature as a crucial aspect of relational dynamics. A good level of communication is thought to benefit the collaboration by reinforcing commitment and trust, increasing access to personal information and developing informal networks (Spekman, Forbes III, Isabella, & MacAvoy, 1998). In this study the differences between those alliances where objectives were achieved and those that were unable to achieve objectives confirm this. Communication issues become an even greater concern in international collaborations where cultural differences are present (Das & Teng, 1997). Cases such as Chemical Mining provide support for this.

The importance of alliances in technologically complex areas has been recognised in extant literature. For instance, in his study of the US Hospital industry, Singh (1997) discussed the role of alliances in moderating the failure of technologically complex businesses. This research, however, highlights the importance of relational variables in moderating the failure of technology alliances.

### 5.3.3 Summary

The case results provide considerable support for the view that collaborations with positive relational variables are more likely to achieve objectives. Specifically, the presence of key relational variables appears crucial in reinforcing good partner relations and positive collaborative outcomes. In addition, prior interpersonal relations are

beneficial in collaboration formation but do not guarantee achievement of objectives. A further finding that requires greater exploration is that concerning how technological intensity moderates the relationship between trust and commitment and collaborative outcomes.

## **5.4 Theme 3**

### **Mutual understanding and favourable partner assessments in key collaborative areas were associated with the achievement of objectives**

#### **5.4.1 Key Evidence**

Significant differences in the mutual understanding of collaborative activities could be observed between those alliances that achieved objectives and those that were not able to achieve objectives. A distinction was also noted in the evaluation of each partner's contribution to the collaboration and experience in key collaborative activities.

#### **5.4.2 How were Mutual Understanding and Favourable Partner Assessments Associated with the Achievement of Objectives?**

Overall, the collaborations where objectives were achieved exhibited a greater degree of comparability in their responses to the structured questionnaire. These responses were often more detailed and reflected a clearer understanding of key collaborative activities. The same level of similarity was not evident among the collaborations where objectives were not achieved. Partner responses also demonstrated a strong comparability with regard to collaborative outcomes and an understanding of the overall factors influencing the collaboration (examined through the cognitive maps). The relevance of response comparability, outcomes and the cognitive mapping exercise are discussed next.

#### *Comparability of responses in the structured questionnaire*

Those collaborations that achieved objectives showed a greater degree of comparability in their structured questionnaire ratings.<sup>12</sup> This is explored next.

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<sup>12</sup> Each questionnaire was analysed for this theme. A summary for all relationships was not possible due to some incomplete sections. However, generalisations have been made with the responses that were available. In some cases, there was complete non-comparability of responses. This was particularly evident in some of the alliances where objectives were not achieved, such as Vibratory Technology.

*How was a comparability of structured questionnaire responses demonstrated?*

The alliances where objectives were achieved exhibited greater comparability in their understanding of key collaborative activities, contribution and experience, with comparable ratings provided by the focal firm and its partner(s). The same level of comparability was not demonstrated among the collaborations where objectives were not achieved. In some cases, such as Vibratory Technology, the responses showed no comparability whatsoever. Collaborations where objectives could not be achieved also showed a tendency to rate experience and contribution higher for themselves. This is in contrast to the collaborations in which objectives were achieved where firms provided the partner with exceptional ratings. Further differences could also be observed in the level of detail provided with regard to segmentation and product categories.

For instance, Table 5.2 compares the responses of Conveyor Belts where objectives were achieved to those provided by Shopfitting and Print Brokers which were unable to achieve objectives. In the case of Conveyor Belts, the partners had comparable responses to ratings of both contribution and experience. Both firms appeared to provide realistic and favourable responses to the input of the partner. In addition, both firms had a clear understanding of the product-markets that the collaboration focused on. Interestingly, each firm provided the partner with comparably similar ratings to itself in experience within these markets.

Such results, observed in many of the collaborations where objectives were achieved, were not repeated in the collaborations where objectives were not achieved. Table 5.2 also displays the responses provided in the Shopfitting and Print Brokers alliances. Partners in the Shopfitting collaboration provided considerably unfavourable ratings of their partner's contribution to the collaboration. In addition, the two firms had no common understanding of the product-markets that the collaboration was contributing to. This disparity in ratings was also observed in the Print Brokers case, with firms providing high self-assessments and poor partner-firm ratings.

*Why were comparable responses important for the achievement of objectives?*

Firms that had a clear understanding of, and a mutual respect for, their partner's contribution and experience were those that had achieved objectives to a greater degree. A comparability of response to collaborative activities in effect indicated that both

partners had an unambiguous understanding of what the collaboration was intended to do. This perhaps allowed a more effective and united effort on the part of all alliance partners, with an obvious appreciation of the collaborator. Essentially, these observations provide some support for the view that choice of partner influences the skill set and resources within the collaboration, which consequently affects collaborative outcomes.

**Table 5.2: Comparing The Ratings of Cases Where Objectives Were or Were Not Achieved**

<b>Conveyor Belts</b>						
	<i>Contribution</i>		<i>Experience</i>			
<b>Common Activities</b>	<i>Firm</i>	<i>Partner</i>	<i>Firm</i>		<i>Partner</i>	
Processing	80:20	90:10	5:7		7:6	
Maintenance	80:20	70:30	3:7		7:6	
<b>Product Markets</b>	<i>Importance</i>		<i>Contribution</i>		<i>Experience</i>	
	<i>Firm</i>	<i>Partner</i>	<i>Firm</i>	<i>Partner</i>	<i>Firm</i>	<i>Partner</i>
High value	7	6	40:60	50:50	7:6	6:7
Medium value	6	2	80:20	50:50	6:6	4:4
Commodity	6	6	90:10	50:50	3.5:3.5	4:4
<b>ShopFitting</b>						
	<i>Contribution</i>		<i>Experience</i>			
<b>Common Activities</b>	<i>Firm</i>	<i>Partner</i>	<i>Firm</i>		<i>Partner</i>	
Client Liaison	33:67	100	6:6		7:4.5	
Draw-up Option	90:10	100	5:6		6.5:2.5	
Costings	95:5	50:50	6:2		6.5:6	
Product markets	These partners had no clear understanding in common					
<b>Print Brokers</b>						
	<i>Contribution</i>		<i>Experience</i>			
<b>Common Activities</b>	<i>Firm</i>	<i>Partner</i>	<i>Firm</i>		<i>Partner</i>	
Quoting	97:3	30:70	6:1		1:5	
Processing	100	50:50	6:1		7:6	

**Notes:**

- *Contribution*—participants were asked to allocate 100% between each partner
- *Experience*—participants were asked to rate their experience and that of their partner on a scale of 1–7 (1—none; 7—highly experienced)
- *Importance*—participants were asked to rate the importance of product markets on a 1–7 scale
- Where two figures are provided, the first indicates how the firm rated itself, the second indicates how much it allocated to its partner. For instance, under ‘quoting’ in the Print Brokers collaboration, the focal firm felt that it contributed 97% and the partner only 3%. The partner, however, felt that its contribution was 30%, and the focal firm was allocated 70%.

### *Collaborative outcomes*

Outcomes highlighted in the collaborations where objectives were achieved demonstrated a greater degree of comparability and comprehensiveness. These are discussed next.

#### *How were comparability and comprehensiveness of outcomes demonstrated?*

Comparability was also important in the listing and rating of key objectives. Most of the collaborations where objectives were achieved showed some comparability in the objectives outlined by both partners. These can be seen in Table 5.3. In contrast, Training Videos was the only alliance where comparability was demonstrated among all partners despite objectives not being achieved.

**Table 5.3: Comparability of Listing and Rating of Key Outcomes**

Case	Objectives	Achievement
Computer Distribution	1	0.5
Conveyor Belts	1	2
EFTPOS Processing	0.6	0.6
Auto Finance	0.5	0.75
Logistics	2	1.5
Training Videos	0.5	1

#### *Notes:*

No other collaborations where objectives were not achieved demonstrated any comparability. Ratings were calculated across all partners

All of the other collaborations where objectives were not achieved showed no comparability in the desired outcomes listed by each partner.

In addition, many of the collaborations where objectives were achieved had evidently spent a great deal of effort in setting objectives. These alliances typically included both “hard” and “soft” outcomes. For instance, market share and targets were important in the Computer Distribution alliance, but the participants also believed that maintaining close ties with both the channel and customers was also crucial. In Conveyor Belts, good service and personal relationships were important, and the Container Shipping alliance participants listed profit and staff-related issues. By comparison, many of the collaborations where objectives were not achieved failed to outline a balanced

combination of both objectives. This was the case in Training Videos, Vibratory Technology and Insurance Brokers.

Interestingly, many of the collaborations where objectives were not achieved demonstrated a stronger concern for what their partner was “not achieving”, as opposed to focusing on what was actually being achieved in the collaboration. This was clearly observable in both the Shopfitting and Print Brokers collaborations (see Table 5.4). The focal firm in the Shopfitting alliance expressed some concern over its partner’s financial situation and the impact this would have on the collaboration, whereas the partner was equally concerned about a perceived lack of adherence to the agreement on the part of the focal firm. In the Print Brokers collaboration, the focal firm highlighted its partner’s “selfish motives” and a “loss of trust” as key criteria for assessing outcomes. However, the most important point regarding the collaborative outcomes is that Training Videos was the only alliance that demonstrated any comparability despite not achieving objectives.

**Table 5.4: Partner Focus in Collaborative Outcomes**

<i>Print Brokers</i>	<b>Focal Firm</b>	<b>Partner Firm</b>
	Loss of trust Partner: selfish motives	Quality Service Price issues
<i>Shopfitting</i>		
	Incremental business Partners financial situation Interpersonal aspects	Quality of work Relationship with factory Job satisfaction Adherence to agreement

*Why were comparable objectives important?*

The establishment, and comparable understanding of, outcomes enabled the firms to examine the outcomes achieved within a collaboration. Detailing both hard and soft objectives highlighted the importance attached to relational elements of the collaboration, while not underrating the importance of achieving core financial indicators. Inherent in this is the fact that comparability indicates that a considerable amount of joint effort is likely to have been expended in the planning of key objectives within the alliance. In some cases they may also have been outlined in a formal



agreement. This was most certainly the case in EFTPOS, where the participants' agreement outlined core objectives and principles; however, it was also apparent in the Computer Distribution collaboration where joint target-setting was considered important.

### *Cognitive maps*

The collaborations where objectives were achieved also demonstrated a greater level of comparability among the key factors isolated by interviewees in the cognitive mapping exercise. This issue is discussed next.

### *How was comparability demonstrated in the cognitive maps?*

On average, the factors highlighted by the respondents in collaborations where objectives were achieved reflected a higher level of comparability than those in the collaborations where objectives were not achieved. These differences could be noted in an analysis of the cognitive maps (Table 5.5).

**Table 5.5: Comparability of Cognitive Maps**

Collaborations where objectives were achieved			Collaborations where objectives were not achieved		
	Comparability (%)	Number of Participants		Comparability (%)	Number of Participants
Computer Distribution	40	5	Chemical Mining	12.5	3
Conveyor Belts	56	2	Highway Barriers	N/A <sup>b</sup>	1
Container Shipping	18	8	Training Videos	23	3
EFTPOS Processing	11	7	Vibratory Technology	37.5	2
Auto Finance	18	3	Insurance Brokers	9	4
Property Developers	N/A <sup>a</sup>	0	Shopfitting	20	2
Logistics	20	3	Print Brokers	0 <sup>c</sup>	2
<b>Average total</b>	<b>27%</b>		<b>Average total</b>	<b>17%</b>	

*Notes:*

a Property Developers—no maps completed

b Highway Barriers—only one map completed; no comparison could be made

c Print Brokers—no comparability of elements; recorded as '0'

Each map was examined for common factors. A set of common factors was then compiled for each partner. The compiled list was then compared with that of the partner(s).

The factors highlighted by firms in Computer Distribution and Conveyor Belts showed an exceptionally strong level of comparability. This can be compared to unsuccessful collaborations, such as Print Brokers, where no comparability was evident.

*Why was comparability of cognitive maps an important factor in collaborative outcomes?*

The maps represented a visualisation of the collaboration by each respondent, and the major elements they distinguished as influencing alliance outcomes. If interviewees provided comparable cognitive maps, it would tend to indicate a more comparable overall understanding of the alliance. The collaborations where objectives were achieved demonstrated a higher degree of comparability overall. Conversely, the Print Brokers alliance, for instance, showed no comparability at all. As can be seen in Table 5.5, other collaborations where objectives were not achieved also confirmed the difference between those cases that did and did not achieve objectives in this respect.

*Nuances*

Interestingly, a few of the collaborations where objectives were not achieved had very reasonable mapping comparability: Training Videos, Shopfitting and Vibratory Technology. However, even though the mapping was comparable, these collaborations were also very realistic in depicting the problems associated with their alliances. For instance, in the Vibratory Technology alliance, both firms recognised the impact of changes and difficulties in the partner firms. This was also the case in Shopfitting, where a level of mistrust and lack of adherence to the agreement was cited by both partners.

Conversely, a disagreement in ratings could be observed in one of the alliances where objectives were achieved, Container Shipping. In this case, a key intervening factor is likely to have been the influence of head office goals and objectives in ensuring the continuance of the collaboration.

*Literature*

Realistic self- and partner assessments emerge as an important factor in collaborative outcomes. In this study it provides a crucial distinguishing characteristic among those collaborations that were able to achieve objectives and those that were unable to do so.

The extant literature in collaborative relationships, however, does not appear to address this issue adequately. Jap (1999) in a study of buyer–supplier relationships, for instance, suggested that the ability to separate each organisation’s input into a collaboration, and the creation of idiosyncratic input improves the relationship quality. This finding is supported in this study, indicating that it is likely to be applicable among a variety of collaborative forms and situations.

Alba & Hutchinson (2000) discussed the importance of accurate calibration within the context of consumer knowledge. Essentially, they suggested that optimism in assessment may actually lead to greater motivation and thereby result in higher performance. However, they also highlighted that an assessment of others may in fact be based on cues that are not valid. The notion of knowledge calibration, or self-assessment validity, can also be applied in the study of collaborative outcomes. In this study it was evident that the respondents in collaborations that were achieving objectives were more likely to hold similar perceptions about contributions, inputs, experience and outcomes. The converse was, on the whole, true of the collaborations where objectives were not achieved. Additionally, the error in knowledge calibration was clearly evident in those that did not meet partner expectations. These firms clearly had a tendency to overrate their own performance as compared to that of their partner(s).

Ultimately, managerial interpretations of performance issues in collaboration may define a firm’s future response. A key issue would be whether the manager was attributing positive or negative outcomes to the partner, to external factors or to factors internal to their own firm. This raises a number of issues that could be examined in a future study.

Attribution theory and reciprocity could yield valuable insights with regard to mutual partner assessments and help to explain how important biases may arise in the collaborative relationship evaluation process. Essentially, general attribution theory and reciprocity research increases our understanding of dyadic interactions and actions taken by collaborative partners (Bogumil, 2001). Specifically, attribution theory might be used to highlight attitude states of partners and their consequent effect on levels of cooperation experienced. This may result in positive or negative consequences (Barker III & Barr, 2002).

The findings also highlight the importance of incorporating both hard and soft outcome measures, as was the case in those collaborations that achieved objectives in this study. This supports prior research (such as Geringer & Hebert, 1991) which has suggested that the use of both objective and subjective measures of performance is most appropriate. Cases such as Auto Finance and Container Shipping have also demonstrated that duration, or survival, provides little realistic measure of success (Mitchell & Singh, 1996; Singh, 1997).

#### 5.4.3 Summary

Overall, the cross-case results for Theme 3 demonstrate the importance of a mutual understanding and respect for the skills and resources contributed by each firm within an alliance. Alliances where this was clearly evident were more likely to achieve objectives. In addition, the importance of incorporating both hard and soft objectives is apparent. Many of the collaborations that achieved objectives in this study had a mixture of both. It is possible that the concentration on key relational variables strengthened these alliances further. The level of comprehensiveness and comparability of objectives evident in the collaborations that achieved objectives tends to indicate that planning, or at least a comprehensive formal agreement, may also be crucial in encouraging comparability in partner assessments.

### 5.5 Cross-Case I—Summary

In summary, the cross-case analysis has highlighted several themes and complex nuances with regard to collaborative outcomes. The qualitative methodology has enabled the *extraction of associations and nuances* that could easily not have emerged from a quantitative study. It has captured complex interrelationships and influences. For instance, previous research has demonstrated some link between contract completeness, formal agreements and collaborative outcomes. However, the in-depth examination in this study has allowed us to understand *how* formal agreements have contributed to focus, shared values and conflict resolution. Furthermore, it has allowed us to relate this to collaborative outcomes. The depth of understanding and the link to achievement of objectives provide useful insights into collaborative outcomes.

The results of this chapter have also enabled us to understand *how* key relational variables—such as trust, commitment and interpersonal relations—are linked to collaborative outcomes, and how this is moderated by technological intensity. These observations provide important additions to research on collaborative outcomes.

Design considerations have also permitted the inclusion of self- and partner assessments of resource contributions and experience. The inclusion of managerial assessments and recourse to multiple informants are important. In this regard, the study also provides an important contribution to the study of collaboration in New Zealand.

Chapter 6 presents the remaining themes emerging from the cross-case analysis.

## **Chapter Six: Cross-Case Analysis II—Collaborative Outcome Detractors**

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## **Chapter Six : Cross-Case Analysis II—Collaborative Outcome Detractors**

### **6.1 Overview**

Chapter 6 presents the two major collaborative outcome detractors which emerged from the cross-case analysis. These are presented as detractors as they are likely to contribute to lower achievement of objectives or counter-intuitive outcomes. Additional insights are also outlined in this chapter. The themes outlined in this chapter were also extracted from a detailed analysis following the cross-case procedures outlined in Chapter 3.

Chapter 6 outlines the last of the cross-case themes classified as collaborative outcome detractors:

- Theme 1—Global strategy can undermine collaborative outcomes at the local level
- Theme 2—Within the New Zealand context, international collaborations were not effective in building firm resources and encouraging the development of core competencies

### **6.2 Theme 1**

Global strategy can undermine collaborative outcomes at the local level

#### **6.2.1 Key Evidence**

The influence of global strategy was observed in four of the six international collaborations: Computer Distribution; Conveyor Belts; Container Shipping; and Highway Barriers.

In addition, it was crucial in the Auto Finance collaboration where the car manufacturer was part of a large global organisation.

#### **6.2.2 How Can Global Strategy Considerations Undermine Collaborative Outcomes?**

Global strategy initiated directives that were capable of changing the nature or form of a collaborative agreement. These considerations also undermined the desires of local

collaborators, creating a tension between global strategy and local collaborative strategy. Ultimately, the global strategy of partner firms could determine the survival or continuance of a collaboration regardless of whether it was achieving its objectives or not.

The role of global strategy considerations and its impact on local collaborative outcomes are explored next.

### *Modification of the nature or form of an agreement*

The requirements of an overseas head office or partner played a significant role in the original collaborative agreement and any consequent changes to it in these cases. In some cases these changes altered the nature of the agreement substantially. The manner in which these changes were instituted is discussed next.

### *How did global strategy modify the nature or form of an agreement?*

The requirements of an international partner or head office can play a dominant role in the form of collaborative agreement undertaken and, more importantly, in consequent changes to it. In this study the cross-case results highlighted that an overseas head office of a local firm or an international partner could exert some influence on the spirit of a collaborative agreement. This influence was apparent in the case of Computer Distribution, Conveyor Belts and Highway Barriers. For example, the Computer Distribution agreement was changed from a long-standing exclusive contract to a non-exclusive distribution arrangement based on a policy change by the US-based head office of the Australian partner. Conversely, in the Conveyor Belts collaboration the NZ market was treated considerably differently from other arrangements globally: whilst the overseas partner preferred to own its international operations, this was not the case in New Zealand where due consideration was given to the nature of the local market. A recent change in ownership of the international partner has also not affected this arrangement, and the local firm continues as the sole distributor.

The influence of an international partner was also evident in the formative stages of an agreement. In an attempt to secure a deal, the NZ focal firm in the Highway Barriers collaboration assumed a greater role because of the overseas partner's reluctance to accept the numerous terms and conditions of the NZ local government.



*Why were modifications to the agreement crucial in determining collaborative outcomes?*

Specifically, changes to an agreement instituted by global strategy created a tension between global strategy and local collaborations. *However*, within this study, changes to the agreement instituted by global strategy or the requirements of an international partner did not always have an impact on long-term collaborative outcomes. Possible reasons for this counter-intuitive result are described in a later section. Tension between global strategy and local collaborations is discussed next.

*Tension between global strategy and local collaborative relationships*

In some collaborations the global strategy of parent firms clearly prevailed over the needs of local firms. This influence produced a tension between global strategy and local collaborative considerations.

*How was tension created between global strategy considerations and local collaborative relationships?*

A discrepancy could be observed between the prescriptions and aspirations of an overseas head office and the needs of the local collaborators in some situations. In effect, these global strategy modifications often reflected a change in motivation for being in a local collaboration. Such discrepancies could be observed in both the Auto Finance and Container Shipping cases. These are described next.

The Container Shipping conference perhaps demonstrates the effect of global strategy most clearly. This collaboration involves a number of shipping lines in the transport of freight between New Zealand and Europe. Although the core alliance activity was conducted at the local level, the agreement was formed in the overseas head offices of the shipping lines. The long-standing collaboration was designed to maximise the cost efficiencies of running a service transporting cargo between the two regions. It focused on “controlled growth” and encouraging “long-term positions”. The key was “economies of scale ... rationalisation instead of ... trying to compete head to head all the time” (C5F2R1INT1). Local offices, however, put more weight on how the resultant increase in competitiveness at the local level might affect profitability, performance and growth. Some see the overseas view as out of date and stifling.

The Auto Finance collaboration was essentially between the NZ office of a global car manufacturer and a local finance company. The car manufacturer received considerable support for the joint venture from their overseas head office, who believed that such collaboration would allow its NZ operations to gain knowledge and expertise in car financing. In the later stages of this collaboration, the head office changed its operating policy on a global basis, which had an impact on the local NZ collaboration. The nature of this impact is discussed in the following section.

*Why were global strategy considerations important in determining collaborative outcomes?*

Ultimately, global strategy considerations appeared to prevail over the needs of the local collaborators. A closer examination of how global strategy undermined collaborative outcomes produced striking counter-intuitive results. In effect, global strategy has resulted in the maintenance of a collaboration not valued by local firms, on the one hand, and, on the other, the dissolution of another collaboration that was perceived to be the most effective way to function within the NZ market. This process is described in detail for the Container Shipping and Auto Finance collaborations.

In the case of Container Shipping the collaboration continues despite the reluctance of many local partners. Essentially, head office strategy for global distribution and market access requires the existence of the conference within this trade route. Comments made by interviewees in the Container Shipping collaboration reflected the initial advantages of the collaboration and consequent deference to head office strategy. For instance, the conference originally appeared to offer clear benefits for some of the smaller lines:

“I think they see an advantage [in] being part of a large organisation [in which] they can take advantage of the service and of course they can take part in a share of the revenue. If they were on their own they wouldn't be able to give the service. They wouldn't have the hardware. If they had the hardware they would have the costs ...”  
(C5F2R2INT1)

However, the conference allocates space and cargo based on historical market share figures. This method of allocation offers no real benefit to many of the lines that maintain a small operation in this region. In effect, the real gains are still the strongest among the larger lines within the conference. Although many of these lines could operate an independent service between New Zealand and Europe, it was apparent that

retaining the collaboration was part of global strategy. When asked why the conference continued, or what role it played, some of the following comments were made:

“I am a servant to my masters ...” (C5F2R2INT1)

“The only reason we are a member is because of ... historical reasons.”  
(C5F6R1INT1)

“We are servants to our principals and it is their policy to be a member of that alliance ...” (C5F7R1INT1)

“The times are changing, the influence of the conference as a conference is waning.”  
(C5F2R2INT1)

“The conference used to have a high profile ... where they would negotiate with shipping groups, but now its minimal ...” (C5F3R1INT1)

Despite its historical significance, the conference appears to offer no current significant purpose for most lines. In some cases, this affected the amount of contribution that the line was willing to make:

“It is a strategic policy that we don’t put our own hardware in the Australian/New Zealand/Europe trade.” (C5F7R1INT1)

The overseas parent firms, however, often provided a slightly differing view. For instance, when asked what factors influenced the outcomes within the conference, the director of one international line had the following to say:

“I think the internal factors are aspirations and philosophy ... of the individual conference lines. How committed they are to the overall conference agenda or do they have their own agendas ... it can certainly be influenced by people involved and it can also be influenced by the strategy driving down from above. By way of example, if [one shipping line’s] managing director announces that they are going to increase their business worldwide by 20% in the next x-years, then it may make it very difficult for the local guy in this relationship to stick to what he himself may regard as entirely reasonable objectives of the conference locally. So, I think the individuals and the corporate philosophy at a point in time are very important for that and the secretariat play a role—it may not be a very large one, but certainly an obstructive secretariat can be very negative to effective work in the conferences on their own as a good [secretariat] will [oil] the wheels very effectively.”  
(C5F4R1INT1)

This quote indicates the role of corporate strategy on the operation of the collaboration. Despite these factors, this particular respondent also felt that the conference still held some benefit for New Zealand:

“I genuinely believe New Zealand still gets enormous benefit from the conference.”  
(C5F4R1INT1)

As illustrated by the earlier quotes the majority of respondents did not necessarily share this view. Other interviewees highlighted the detrimental effect that competitive dynamics within the conference have had:

“It has made it more competitive ... the market share has dropped ... it has created a situation where there is more competition within the conference to make sure we hold onto business ...” (C5F1R1INT1)

In essence, the firms in this collaboration have indicated that the conference no longer offers any strong purpose. The main benefit appears to be the ability to offer their customers a greater degree of flexibility in their schedules than would be possible alone. The dominance of one or two large players in the collaboration determines share allocations that do not benefit many of the other shipping lines and competition has actually increased. Interestingly, at least two of the more dominant lines are so large that they could in effect function independently. However, the ultimate reason for the conference's existence now appears to be based on the global strategy of the parent lines.

The impact of an overseas directive was also evident in the Auto Finance case. This joint venture essentially involved the NZ subsidiary of a global car manufacturer and a local finance company. Both firms expressed their satisfaction with the collaboration. Despite strong evidence of a well-functioning collaboration, the alliance was dissolved under a directive from the car manufacturer's parent firm. This change in strategy was primarily based on the parent firm's global strategy to internalise the business. Neither of the partner firms was happy with this outcome, and there was some disbelief that the focal firm's right to purchase had actually been exercised. Comments made by the interviewees from both firms voiced this discontent:

“I think we felt that because of the size of the NZ operation ... it would stay a joint venture ...” (C9F1R1INT1)

When asked what motivated the change in structure, this respondent replied:

“The motivation came from a change in the structure of our region ... they regionalised their structure a bit and they made the managing director of [the Australian firm] also responsible for the Asia Pacific region ... all he was concerned about was the bottom line and the fact that he felt that it was time to bring this thing to a wholly owned subsidiary ... We felt a loyalty to [our local partner].” (C9F1R1INT1)

In many respects the change was both disruptive and perhaps not as productive as overseas management would have liked:

“We noticed the change because it was reasonably disruptive ... we are still struggling ... we still have to work our way through issues and that’s nearly 12 months down the line.” (C9F1R1INT1)

The managing director of the local finance company also indicated his concerns:

“We were disappointed ... What was best for New Zealand was to continue that partnership ... The thing worked well, it made excellent returns. We were happy, they were happy, so it was outside interference that ... got in the way of everything ...” (C9F2R1INT1)

“I think a lot of it was ego but there is certainly a policy in [the partner firm] that they wanted to wholly own all their financial subsidiaries in all markets ... but we also know that New Zealand was different. We also know, and still know, that it simply doesn’t make sense to run it here in New Zealand ... because there just isn’t that volume.” (C9F2R1INT1)

Whilst there were “no problems” with the collaboration, the decision to adhere to the strategy of having wholly owned subsidiaries was merely a “straight business decision”. The global strategy mandate ended a collaboration that was, by all accounts, achieving its key objectives. Also evident in the comments was the influence of a key individual in the Australian operation. With the change in global strategy, this individual exerted a larger degree of influence on the NZ operations. It appears that this was not a positive influence.

In these two collaborations the impact of global strategy on collaborative outcomes has been direct. This has not necessarily been the case where global strategy has influenced an existing collaborative agreement between partner firms. For example, the Computer Distribution and Conveyor Belts collaborations continue successfully despite changes in global strategy—in these cases the collaborative outcomes have not suffered as a

consequence of global strategy. Subtle reasons for why this might be the case are explored next.

### *Nuances*

In general, it would be expected that a change in global strategy would affect the partners to an alliance. The Computer Distribution and Conveyor Belts case studies provide interesting examples of collaborations where one might have expected a long-term impact from changes in global strategy; however, this was not observed in either collaboration.

In Computer Distribution, the collaborative agreement was essentially between the NZ distributor and the Australian office of a global computer firm. A change in distribution strategy was initiated on a global basis by the US head office of the Australian firm: “A mandate came out of the US at that time ... [as] they were having so much trouble with [exclusive agreements].” The resultant directive from the US firm to change all agreements from exclusive to non-inclusive has not had an impact on the local collaboration.

Two factors appear to have protected the integrity of an ‘exclusive’ arrangement in this collaboration. In the first instance, the NZ firm maintains a positive attitude, strengthened by the personal relationships, focus and duration of the collaboration. The NZ firm has demonstrated a “strong degree of [partner] focus” within the alliance, and by all accounts has been highly successful in selling within the local market.

Despite the global changes, the focal firm maintains a positive attitude: “Bear in mind exclusive agreements are not really worth anything anyway” (C1F1R2INT1). When asked if the change posed any real threat, the managing director of the focal firm replied: “I can’t imagine why as the time goes on there is less likelihood ... if we weren’t performing the chances are that you would appoint another distributor” (C1F1R2INT1). At the same time he acknowledged the importance of the contract in achieving key collaborative outcomes:

“What exclusivity does is give focus and commitment.” (C1F1R2INT1)

Secondly, the partner firm is also very clear about maintaining a sole distributor in New Zealand despite global strategy. In reality, all the change achieved was the right to “appoint another distributor at short notice” and so for all intents and purposes the global directive has been ignored. As one respondent said: “[Our partner] make[s] no secret of the fact that they have no intentions to get a new distributor” (C1F1R3INT1). The focal firm continues as sole distributor in the NZ market, and its partner has a very clear reason for this: “I guess from our point of view, what we want them to do, obviously, is to maximise [our] working potential in New Zealand and ensure that customer satisfaction is optimised” (C1F2R2INT1). Their comments appeared to indicate that this was best achieved with a sole agency situation.

In the Conveyor Belts collaboration, an exclusive agency agreement was signed in 1987. The partner firm had a strategy that encouraged ownership in countries of operation, as past experiences with distributors had not always been satisfactory: “Our policy was to have our own companies ... because we had many ... problems with distributors ... [However] if we have a good distributor there we don’t take over [the] business” (C3F2R1INT1). Inherent in this decision was a recognition of both the unique characteristics and the size of the NZ market. Undoubtedly, the focal firm’s “technical knowledge” and “ability to provide a good service” have been key factors in retaining a distribution arrangement despite global company strategy.

The overseas partner in the Conveyor Belts collaboration gave the NZ firm consistently high ratings with regard to its experience and achievement of outcomes (Table 6.1). It is interesting to note the value and importance placed on personal relationships in this case. Combined, these factors appeared to be of greater value than the nature of the agreement between the firms.

**Table 6.1: Ratings in Conveyor Belts Case**

<b>Question-1.4— Rating of partners experience</b>	<b>Focal firm rating</b>	<b>Partner rating</b>
Sales and marketing	4	6
Processing belts	7	6
Maintenance and repairs	7	6
<b>Question-4.2—Achievement of outcomes</b>		
Good service	6	6
Personal relations	6	7

*Note:*

Each interviewee was asked to rate experience on a scale of 1–7 (1—none; 7—highly experienced). Achievement of outcomes was also rated on a similar scale (1—not achieved; 7—achieved)

In both cases the overseas partners were not willing to disturb what were essentially collaborations that met all expectations and achieved objectives. Global strategy was disregarded in these cases, thus reflecting the importance placed on positive long-term personal relationships and achievement of objectives. In addition, due consideration was given to the nature of the NZ market and its unique characteristics. It is also interesting to note that both collaborations had demonstrated a strong focus on key collaborative activities and the partner at the start of the collaboration. This may have also attenuated the impact of a change in policy.

In some cases the effect of a partner firm's strategy was felt very early on within a collaboration. For example, in the Highway Barriers collaboration the US-based partner refused to accept the terms and conditions required by the local NZ government. This forced the focal firm in New Zealand to take on a larger than anticipated role:

"In the first instance, the way it was going to happen was that [our partner] would be the main supplier and then I would just be their agent here. But [what] the Americans, wanted was like a 2-page order ... and of course Transit NZ came up with a document this thick you know 195 pages ... the American company took one look at [the contract] and said 'we are not going to sign that!' ... It ended up [with] me taking the contract ... and it was our biggest job so far..." (C4F1R1INT1)

The managing director of the NZ firm regarded this move as an important factor within the collaboration and achievement of objectives. Despite exercising this willingness to take a greater risk, the collaboration has not resulted in any further business in the region.



The Conveyor Belt case, similar in all respects other than the achievement of objectives, provided a slightly different perspective in that the strength of the local partner and the value placed on the services it provided within the local market appeared to differentiate the local firm's contribution.

### *Literature*

The literature on collaborative outcomes appears to provide very little guidance on how the wishes of an overseas partner or head office might impact have an impact on a *local collaboration*. However, other related research can be used to explain some of these findings. Specifically, literature on strategic management and the coordination processes of the multinational may support our understanding of the counter-intuitive behaviour demonstrated in these cases. Appropriate work in the area of trans-national management and international business discusses issues of formalisation (institutionalisation of systems and procedures to guide choices), centralisation (substantive decision-making by senior management) and socialisation (building common purpose, values and perspectives among managers in order to influence judgement) as trans-national coordinating processes (Bartlett & Ghoshal, 1998).

According to Bartlett & Ghoshal (1998), the preferred form of coordination for the trans-national corporation would involve a greater degree of socialisation, with less formalisation and centralisation. Key disadvantages of centralisation include a decrease in the quality of decisions made due to overload and pressure from the vast organisational structure and an inability on the part of management to understand local market needs. The tension among local management in deferring to head office for a decision also increases as their own local experience and ability develop. The Auto Finance case, for instance, clearly showed evidence of key disadvantages in a centralised strategy. As the interviewees suggested, the best thing for the local market was to continue the joint venture. The head office of the car manufacturer disregarded this advice in an attempt to adhere to global strategy and processes.

Conversely, with the Container Shipping consortium, a high degree of formalisation and centralisation results in the maintenance of an alliance which is viewed as ineffective at the local level. The decision to retain the collaboration is based on the requirements of the overseas head offices of the member lines.

The impact of headquarter decision-making on the local collaboration needs to be examined further. Recent studies on the perception gaps in subsidiary–headquarter relationships may provide some guidance on achieving an adequate level of cooperation in decision-making (Birkinshaw, Holm, Thilenius, & Arvidsson, 2000). Further exploration is required into the reasons why alliances continue when their objectives are not achieved. Work by Inkpen & Ross (2001) highlighted the need to understand termination to a greater extent, and discussed the role of organisational determinants, inaccurate assessments of partner competencies and organisational strategy in this process.

The second finding within this theme is of less importance, but is still of interest. Computer Distribution, Conveyor Belts and Highway Barriers all highlight the impact that an overseas partner can have on the agreement between the collaborators. Significantly, in both Computer Distribution and Conveyor Belts, it was the strength of the personal relationships between key individuals within the collaboration that resulted in little perceived change despite changes to the agreement.

### 6.2.3 Summary

These cases highlight the problems that may arise if there is insufficient alignment between global and local strategy of the partners. In the case of Container Shipping, an alliance that is no longer performing any unique function continues because of the global strategy of the shipping lines' parent firms. However, the extent to which local managers are willing to implement a collaboration that offers global benefits but few local advantages may be questionable. This was demonstrated in the comments made by local participants within the Container Shipping collaboration who showed a lack of personal commitment to the collaboration, and by the fact that competition was still present among the conference members.

Conversely, in the Auto Finance case an alliance that was functioning well was dissolved as a result of interference from the foreign parent. Here, philosophies and policy considerations appear to have influenced local collaborations without due consideration to local needs or concerns. In this case, the local managers voiced some resentment to the discontinuation of an alliance that had served a key purpose. This lack of consideration of the advice given by local managers may result in long-term resentment or a change in the commitment provided to the venture.

The case results demonstrate support for the proposition that global strategy can undermine collaborations at the local level. Collaborative outcomes and positive relationship dynamics appear to mediate this impact.

### 6.3 Theme 2

**Within the New Zealand context, international collaborations were not effective in building firm resources and encouraging the development of core competencies**

#### 6.3.1 Key Evidence

Only two of the six international collaborations in this study were designed to offer skill benefits or specific resource acquisition benefits to the NZ firm. Neither of these alliances—Highway Barriers and Chemical Mining—achieved their objectives.

#### 6.3.2 How were International Collaborations Ineffective in Building Internal Firm Resources within the NZ Context?

Well-recognised benefits of collaboration—such as access (market, financial or technological), economies of scale and the development of core competencies—were not evident in all of the international collaborations studied, with the exceptions of Highway Barriers and Chemical Mining. Highway Barriers accessed engineering expertise, but has not been successful in transferring that expertise to other projects; Chemical Mining collaborated to gain access to the Japanese markets, but this collaboration has also struggled.

Conversely, the majority of international collaborations in this study concentrated on an agreement to support the international partner by providing local collaborative activity support. These collaborations appeared to have a clear purpose: accessing the NZ market and ensuring reliable local distribution. For instance, local distribution was the key objective in the Training Videos, Conveyor Belts and Computer Distribution collaborations. These collaborations did not enable the development of any core skills. The Container Shipping collaboration was also a service-based collaboration, designed to encourage efficiency in transportation of cargo.

### 6.3.3 Why were the International Collaborations Ineffective in Building Resources and Competencies?

The majority of the international collaborations in this study were designed to satisfy the needs of an international partner. Whilst a number were successful in achieving firm-level objectives, most collaborations failed to result in the acquisition of any sustainable skills or resources by the local firm. This effectively prohibited the internalisation of skills or knowledge that may have resulted in long-term global success. In the event that a partner should withdraw access to its business, the NZ firm would effectively be left with little to replace the collaborative benefit provided by its partner.

For example, Training Videos suffered considerably when its exclusive distribution agreement was dropped. It could not replace the product itself, and had developed no experience in the compilation of training materials during the collaboration. In this case, the achievement of firm-level objectives was severely affected. Other international collaborations could also face long-term difficulties. In Conveyor Belts, for instance, the focal firm bases its entire operations on its partner's requirements. It carries no other lines of belting products, and has effectively acquired expertise in the cutting and installation of conveyor belts. Firm-level objectives are met in this collaboration, but no transferable skills have been developed from its alliance partner.

The key concern, however, extends beyond firm-level objectives and centres on the long-term ability of New Zealand to maintain a competitive advantage and compete globally. These issues are discussed next.

#### *Nuances*

The type of collaborative activity conducted within international alliances is an important consideration in the NZ context. New Zealand is a small country, with some distance between itself and key markets. The majority of local firms are also small, and perhaps lack the capital resources that other partners may have. With such constraints, New Zealand would benefit from encouraging firms to form collaborations that were capable of promoting core skills and competency development. The NZ firm would be required to offer something valuable in exchange, which may be an obstacle. This does not appear to be a major motive among many of the international collaborations studied.

### *Literature*

The literature in general extols the benefits of collaborating to combat such forces as the fast pace of technological change and strong global competition. Collaboration provides the firm with well-recognised benefits, such as economies of scale, access to financial resources, market and/or technology access and the development of core competencies (eg, Madhok & Tallman, 1998; Varadarajan & Cunningham, 1995). Studies conducted within the US, UK and Japanese environments all support many of these benefits. These advantages of collaboration are also applicable within the NZ context. However, it might be argued that the characteristics of the NZ business environment provide a slightly different scenario in which collaboration is to be undertaken.

In the first instance, the NZ business environment is characterised by a large proportion of small firms. Additionally, the distance to key markets is a further factor to be considered. Chetty & Wilson (2003) have outlined the role of deregulation, changes in the New Zealand economy and in our key European markets in the drive to internationalise. In order to compete in a global marketplace, however, NZ firms need to strengthen their competitive advantage and develop core competencies (Crocombe, Enright, & Porter, 1991). This would result in both firm-level and national benefits. Given the benefits of collaboration, it would appear that these factors could be nurtured through effective collaborative activity. Essentially, this would avoid the disadvantages of size that are often associated with small firms and would encourage collaboration.

In short, such a view indicates that NZ firms should collaborate in areas where core competencies can be developed and internalised. Madhok (1997) has suggested that, through collaboration, a firm is able to obtain superior capabilities which are not easy for others to imitate or acquire. Further, Simonin (1997) has argued that experience must be internalised and collaborative know-how developed in order to secure future benefits. It would also appear that repeated collaboration allows a firm to develop greater skills in acquiring and internalising this knowledge (Cohen & Levinthal, 1990). However, the acquisition of key competencies or skills is dependent on the key purpose of the collaboration. In the firms **within this study**, many of the collaborations were not formed with such objectives. This has a severe impact on the ability of firms to develop key skills that would allow them to function within a global marketplace or promote internationalisation.

There is a strong evidence base in support of the fact that international collaborations do enable NZ firms to build competencies. Such work has also reiterated the importance of competitive advantage to the success of local firms (Campbell-Hunt, et al., 2001). It has been argued that collaborative relationships can provide such an advantage and thereby create value. Campbell-Hunt, et al.'s work highlighted numerous successful NZ firms that have indeed achieved this. However, the key facets for achieving competitive advantage were not readily demonstrated in the relevant cases within this study. In Highway Barriers, while the immediate objective was clear, the longer-term relationship advantages and priorities differed and required the local firm to re-evaluate. Similarly, in Chemical Mining, the diversity of long-term outcomes, and thus commitment, played a key negative role. This could well have had an impact on not securing competitive advantage, which has been identified as important for NZ-based firms.

At the same time, due consideration needs to be given to the recognised costs of collaboration and the fact that many potential partners may not be willing to form an alliance with skills- and resource-deficient NZ firms. This possibly creates a problem in partner selection for both the NZ firms and their potential partners.

Overall, the key concern extends beyond firm-level objectives and centres on the ability of New Zealand to maintain a competitive advantage and compete globally. The importance of this has already been demonstrated in the extant literature. A question that remains is how firms such as those in this study might be encouraged to provide greater attention to these issues.

#### **6.3.4 Summary**

Whilst many of the collaborations were successful at the firm-level, their long-term ability to contribute to the growth and development of resources and skills bases within the New Zealand economy is questionable. In determining why firms may have adopted collaborations involving basic collaborative activities, it is necessary to consider the resource and skill-set that NZ firms are able to offer international partners.

#### **6.4 Additional Observations**

In addition to the key themes outlined in this chapter, the cross-case results highlighted several other issues that will be outlined briefly in this section. Whilst these are

interesting, they are presented as additional observations to indicate that the supporting evidence for each issue was not as strong or overwhelming as was the case in other themes.

#### 6.4.1 Environmental Changes

The ability of a collaboration to adapt to changing environmental conditions was an important factor in the achievement of objectives. Four of the seven collaborations where objectives were achieved were established at the time when environmental change was experienced, but environmental change had no negative impact on the collaborative outcomes. In addition, many of the collaborations that did not achieve objectives were not established at the time of environmental change, and this appeared to have an affect on collaborative outcomes.

An established collaboration allowed firms to cope better with key environmental changes, thereby increasing an alliance's chances of long-term success. A strong collaboration helps to overcome environmental changes that may otherwise result in an unsuccessful outcome. In effect, the strength of the collaboration allows firms to adapt to changes more readily. The Computer Distribution collaboration has, for example, survived through business re-engineering, worldwide policy changes and continual product innovations. In contrast, weaker collaborations such as Chemical Mining were negatively affected by environmental changes. A decrease in the price of chemicals, resulting in a change in technology, proved to be a key negative influence on the collaboration.

Whilst most of the collaborations discussed the importance of changes in the environment, a key consideration in the literature has been the timing of responses to environmental conditions. Many of the collaborations that achieved objectives were successfully established at the time when environmental change was experienced. Environmental change was a key factor in only two of the remaining collaborations. Among collaborations where objectives were not achieved, four of the seven were not established at the time of key environmental influences. These findings provide some evidence that successfully established collaborations are better able to cope with environmental change. This may be, in part, due to the fact that the partners in

established collaborations have had the opportunity to build trust and commitment and are therefore in a stronger position to cope with environmental change.

It appears that established collaborations are more able to accommodate key environmental changes. In this regard, timing of response to an environmental change is an important contextual variable. This may be, in part, due to the strength of relational variables and the nature of agreement that were already in place within the collaboration.

In summary, environmental factors might be less likely to have a negative impact on established collaborations.

#### 6.4.2 Collaborating with Competitors

Some initial observations could also be made regarding the issue of collaborating with competitors. Three collaborations that achieved their objectives were among industry competitors. In contrast, the Insurance Brokers collaboration was the only industry-competitor collaboration where objectives were not achieved. This tends to refute the conceptual assertion that collusion between competitors is likely to result in failure (Bleeke & Ernst, 1995).

#### 6.4.3 Other

In contrast to prior studies, complementary or cumulative logic did not appear to have any impact on the achievement of objectives. In this regard, the results depart from previous research. Additionally, few insights were provided from a general examination of the differences between the domestic vs international alliances or those that involved either a high or low level of technology. Within the methodology used in this research, this finding highlights the importance of the cross-case analysis procedure which introduced an additional dimension with each stage of the analysis. If likened to a quantitative study, this would highlight the importance of looking at interactions rather than just main effects.

### 6.5 Cross-Case II—Summary

Whilst many studies have examined the influence of a foreign partner or multinational on decision-making, this research design has allowed us to understand *how* exactly



global strategy might influence a local collaborative relationship and collaborative outcomes. This insight appears to be new to the collaborative relationship literature.

Design considerations have also permitted the inclusion of self- and partner assessments of resource contributions and experience. The inclusion of managerial perceptions is important. In this regard, the study also provides an important contribution to the study of collaboration in New Zealand. It has also allowed us to examine the extent to which responses in the initial sampling frame were reflective of all participants to the collaboration.

On the other hand, the research has allowed us to highlight that an isolated examination of differences between cumulative vs complementary alliances, high vs low technology or international vs domestic alliances does not permit a clear enough understanding of collaborative outcomes.

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## **Chapter Seven: Toward a Theory of Collaborative Outcomes**

### **7.1 Overview**

Chapter 7 concludes the current investigation of collaborative relationships. It begins with a reiteration of the research focus and a brief outline of how this research differs from previous examinations of collaboration. Testable propositions based on the results in Chapters 5 and 6 are then outlined. This is followed by a discussion of future research directions, limitations and conclusions. Several managerial implications are also suggested in this chapter.

### **7.2 Focus of this Study**

The general purpose of this exploratory research was to **progress** theory in the area of collaborative relationships, through the development of theoretical insights. This study focused on improving our understanding of the outcomes of collaborative relationships in New Zealand. In doing so, it aimed to overcome many of the research design characteristics in previous examinations that may have hindered theory development in the area. This study examined many different collaborative forms, contained alliances from a number of industries, and included both domestic and international alliances. An attempt was also made to accommodate any relevant elements and outcomes, and extend the examination to include dyadic partnerships, alliances with a number of firms and the network of firms which have an impact on the alliance. The process was informed by knowledge of previous literature and theoretical perspectives, but no single perspective was adopted in the study.

In relation to the data collection and design, the study concentrated on capturing the contributions of participating managers within each alliance. Information was collected from multiple informants, and from all partners to the alliance. An attempt was made to isolate the unique objectives and outcomes sought in each collaboration. A key contribution of this thesis has been the inclusion of self-reporting which reflects the variety of perspectives and priorities and the ongoing changes which affect businesses in the real world. This, in turn, offers suggestions in how to progress collaborative relationship theory based on sound research design. The themes presented in this dissertation thereby offer a significant avenue for further investigation. They provide

considerable insight into collaborative relationships and outcomes, and indicate methods and directions that could be explored further. These are outlined next.

### **7.3 Developing a Theory of Collaborative Outcomes**

This research has explored elements/factors and outcomes of collaborative relationships. Key themes have identified how, and specifically in what way, various factors have an impact on collaborative outcomes. The themes outlined in Chapters 5 and 6 are presented as testable propositions and serve as a basis for further empirical investigation.

The current study began with an assertion that the extant literature on collaborative relationships was insufficient in fully explaining performance. The propositions outlined below address these concerns by encapsulating managerial perceptions and actual alliance behaviour. The evolution and development of the information-gathering and evaluative processes through the course of this study ensures that the key aspects of collaborative relationship studies that were previously highlighted as lacking in Chapter 2 are now captured. Propositions have also looked at the *how* and *why* behind the evident outcomes.

The propositions, arising from the themes outlined in Chapters 5 and 6, are summarised as follows:

*Proposition 1:* Relationships with formal agreements are more likely to achieve relationship objectives

- 1.1: Formal agreements contribute to a clear focus
- 1.2: Formal agreements assist the conflict resolution process
- 1.3: Formal agreements encourage shared values and solidarity

*Proposition 2:* Relational variables are associated with collaborative outcomes

- 2.1: Trust and commitment encourage positive relations
- 2.2: Trust and commitment promote open communication and “good partner relations”
- 2.3: Interpersonal relations support positive relations within an alliance

- 2.4: Relational variables have a circular, reinforcing impact on outcomes
- 2.5: Technological intensity moderates the relationship between relational variables and collaborative outcomes

*Proposition 3:* Mutual understanding and favourable partner assessments in key collaborative areas (activities, outcomes and cognitive maps) are associated with the achievement of objectives

*Proposition 4:* Global strategy can undermine collaborations at the local level

- 4.1: Global strategy can modify the nature or form of an agreement
- 4.2: Tension can be created between global strategy and collaborative relationships
- 4.3: Relationship dynamics can moderate the impact of global strategy on local collaborations

*Proposition 5:* NZ alliances that are international in scope often may not always be effective in building firm resources and encouraging the development of core competencies

Two further propositions relating to the additional observations briefly outlined in Chapter 6 need to be explored further.

*Proposition 6:* Adaptability to environmental conditions may be important for achieving collaborative objectives

*Proposition 7:* Collaborating with competitors will not necessarily lead to a failure to achieve alliance objectives

Although Propositions 6 and 7 are less well-substantiated, both raise interesting insights that have been previously discussed in the literature. To this extent they deserve further consideration.

Whilst many of these propositions may have been conceptualised in extant literature, a key contribution of this dissertation is the link to empirical research. The propositions

provide new and deeper insight into how many of the factors previously associated with alliances are related to each other and to collaborative outcomes. The findings also incorporate managerial perceptions, thus providing practical interest to industry. Testing and investigation of these propositions using survey methodologies will promote progress toward the development of empirically derived theoretical insights on collaborative relationships.

## **7.4 Summary and Managerial Implications**

The core research issues underpinning this thesis have been addressed and answered as a consequence of this research process. The study has highlighted some key relationships between elements and outcomes of collaboration. In this respect, new insights regarding collaborative outcome facilitators have been gained. At the same time the influence of global strategy on local alliances and the lack of ability to build competence in international alliances have been isolated as two possible barriers to effective collaboration. The importance of the exact structure and the overwhelming impact of formal agreements on encouraging success have also been apparent.

### **7.4.1 Key Findings**

The core issues identified in this thesis—and their managerial implications—are summarised below. Given the exploratory nature of this research these are to be regarded as tentative issues for consideration.

1. Without exception, the collaborations that achieved their objectives in this study had a formal agreement. This agreement appeared to form a major facet in encouraging focus within the relationship, promoting shared values among partners and attenuating conflict.

#### *Managerial Implications:*

*The findings of this research suggest that managers of collaborative relationships need to give due consideration to how relationships are structured and to the form of agreement that is adopted. Specifically, an attempt must be made to pinpoint those facets of agreements that are likely to encourage focus and shared values. Also, techniques must be included for resolving potential conflict between partners.*

2. Considerable support was demonstrated for the view that collaborations that have positive relational variables are more likely to achieve objectives. These variables are crucial in reinforcing good partner relations and positive outcomes. The converse was also true in instances where poor relational variables were observed. Relational variables were particularly important in the high-technology alliances within this study.

*Managerial Implications:*

*The results of this study indicate that managers must also understand the importance of relational variables in promoting positive collaborative outcomes. Whilst this is true for all alliances, it is particularly pertinent in areas of technological intensity.*

3. Collaborations that demonstrated a mutual understanding and respect for the skills and resources contributed by each firm were more likely to achieve positive outcomes. The importance of incorporating both hard and soft outcome objectives was also apparent. The role of a comprehensive agreement in encouraging comparability was highlighted and warrants further investigation.

*Managerial Implications:*

*The findings regarding mutual understanding and assessments have implications for alliance management. First, the research suggests that managers of collaborative relationships need to have a clear understanding of the intended collaborative activities. This needs to be shared by all participants. Secondly, managers must pay greater attention to this compatibility when selecting alliance partners. Consideration in this selection process extends beyond a focus on the cumulative:complementary logic differences, which were in fact shown to be unimportant among the cases in this study.*

4. Several cases demonstrated the detrimental impact of global strategy on local collaborative relationships. A misalignment in global and local strategies in effect resulted in the discontinuation of collaborations that had achieved objectives and in the continuation of collaborations where objectives were not consistently achieved.

*Managerial Implications:*

*NZ firms need to recognise the possible impact of global strategy when aligning with subsidiaries of large international firms or with local firms with overseas reporting structures. Planning for any possible eventualities of overseas influence is crucial. For instance, the dissolution of a collaboration was handled smoothly because of structures that had been included in the initial agreement. In short, any formal agreement needs to include provisions for such events.*

5. Within the cases in this study, some collaborations, particularly those in the international arena, demonstrated a lack of skill acquisition and resource enhancement.

*Managerial Implications:*

*This finding is of particular relevance to NZ firms seeking alliances with strongly skilled and resource-rich international partners. Many of the cases in this study did not successfully acquire the skills and resources touted as benefits of collaboration. This provides an important consideration for managers aligning to acquire such skills or resources. Specifically, firms need to assess exactly what they might gain from a relationship before commencing the collaboration. This then needs to be assessed on a regular basis in order to ensure that key collaborative advantages are captured and acquired.*

6. Cases in this study supported the view that an established collaboration allowed firms to cope better with environmental changes.

*Managerial Implications:*

*Managers within collaborations that are established are more likely to survive any environmental changes. Understanding the status of the market environment and exploring the timing of a new venture are, therefore, key factors to success.*

7. Some of the successful relationships in this study were among strong industry competitors. This evidence tends to counter the commonly held view that competitors should avoid collaboration.



*Managerial Implications:*

*From a managerial perspective, this finding increases the scope and potential for using alliances to achieve objectives and efficiencies within an industry. In the cases studied, collusion with competitors did not necessarily result in negative collaborative outcomes. However, care needs to be taken to ensure that the collaboration is not anti-competitive and thereby illegal.*

## **7.5 Limitations**

Despite careful planning and adherence to the research process, it is possible that this study is likely to demonstrate certain limitations. These are acknowledged below.

1. Whilst every attempt has been made to ensure methodological rigour in undertaking this research, the nature of qualitative research is such that the researcher may have some influence on the data collection and analysis. Strict adherence to analytical procedure and case protocol has minimised the impact of this.
2. Although obtaining a biographical history has allowed more than a cross-sectional view of collaborations, a 'true' longitudinality may have captured additional insights.
3. Missing data in the structured interviews limited the strength of findings that may have otherwise been possible with regard to mutual understanding and partner assessments. However, the current findings provide clear motivation for further studies of this type.
4. This study has primarily focused on New Zealand focal firms and their alliance partners. Given the contextual uniqueness of this research, to be able to generalise the findings beyond NZ presents further research opportunities.
5. While there is merit in examining a variety of collaborative relationships, the heterogeneity of collaborative types examined in this thesis may give rise to questions of generalisability of the results. The results, however, provide an interesting starting point for further research on collaborative types and the appropriateness of developing a theory of collaborative relationships.

## 7.6 Future Research

Despite these limitations, this study has improved our understanding of collaborative outcomes within New Zealand. The foundations provided by this research offer a number of avenues for future work. These are detailed below.

The propositions outlined in section 7.2 should be investigated in greater depth. A large-scale quantitative study could provide further insights into these assertions. The aim of such a confirmatory investigation would be to test propositions and develop a model outlining some of the key relationships between elements and outcomes of collaboration. Feedback from the semi-structured questionnaire utilised within this research could be used to structure a mail survey questionnaire. Techniques such as structured equation modelling might then be used to determine the significance of the linkages outlined in a model.

Given established research in this area, further exploration of Proposition 5 could focus on *how* collaborations might be formulated to facilitate the building of core competencies.

Future research could also result in further evidence for Propositions 6 and 7.

The findings of the present study suggest a real need to explore relevant dimensions of trust, commitment and other relational variables further. It was not possible to achieve this within the scope of the current research.

The qualitative nature of this research has allowed additional key insights, previously under-reported in the extant literature, to emerge. It is strongly recommended that further research of this type be conducted in other research settings.

The insight into the tension between global strategy and local collaborations, and the proposition regarding skill acquisition, need to be explored in other countries.

## 7.7 Concluding Remark

This thesis sought to understand the dynamics and performance of collaborative relationships in an attempt to gain deeper insight into collaborative performance. In doing so it has highlighted the problematic nature of performance measures associated with the assessment of collaborations. The terminology 'collaborative outcomes' and

‘achievement of objectives’ is adopted in this thesis to emphasise the issues associated with ‘performance’.

The current study has increased understanding of the complex nature of collaborative outcomes. The methodology adopted in this research has been important in promoting in-depth insights. It has allowed the extraction of nuances that were unlikely to be accessible within a traditional quantitative design, and has captured the perceptions and concerns of the managers actually involved in alliances. The adoption of a qualitative methodology has allowed for an inductive analysis and the development of key insights. A multi-case approach has provided an additional depth to our understanding. The propositions that emerged through this research process reflect the “real-life” collaborative experiences of NZ firms.

## **Appendices**

## **Appendix A: Sampling Frame Questionnaire**


**Department of Management**

**University of Canterbury** Private Bag 4800  
 Christchurch New Zealand  
 Telephone: 03-364 2606  
 Fax: 03-364 2020

Dear Sir/Madam,

This letter has been forwarded to you as part of a survey of your firm. You have been identified as a manager who is actively involved with a collaborative relationship between your firm and another firm. The Department of Management at the University of Canterbury is studying the characteristics of collaborative relationships involving New Zealand firms. The purpose of this questionnaire is to seek your opinion regarding a specific collaborative relationship which you are actively involved in. The survey does not require you to reveal confidential information and the results will be aggregated to disguise your response. The survey has been designed to be very quickly answered. Usually a simple cross to indicate your response. Your company will receive a summary of results, and you will be personally entered into a draw to win an Ansett Mystery Weekend gift voucher for two.

Thank you for your participation,

Mary Ellen Gordon, Ph.D.  
 Lecturer.

1. Your Name: \_\_\_\_\_
2. Your title within the company: \_\_\_\_\_
3. Your contact phone number: \_\_\_\_\_
4. Do you have a name for this collaborative agreement (eg. ANZUS) ? :  
 \_\_\_\_\_
5. What firms, besides your own, are involved in this collaborative agreement ? :  
 \_\_\_\_\_
6. Please indicate with a cross (X) all activities involved in the relationship:

	Your firm:	Other firms:
R&D	<input type="checkbox"/>	<input type="checkbox"/>
Manufacturing	<input type="checkbox"/>	<input type="checkbox"/>
Marketing	<input type="checkbox"/>	<input type="checkbox"/>
Distribution	<input type="checkbox"/>	<input type="checkbox"/>
Sales	<input type="checkbox"/>	<input type="checkbox"/>
After-Sales-Service	<input type="checkbox"/>	<input type="checkbox"/>



7. Please indicate with a Cross (X) the Country of Origin of your partner firm(s) and all countries which the collaborative relationship is active:

	Partner's country	Collaborative relationship location
Australia	<input type="checkbox"/>	<input type="checkbox"/>
Asia	<input type="checkbox"/> please specify: _____	<input type="checkbox"/>
USA	<input type="checkbox"/>	<input type="checkbox"/>
Mexico, Central & Sth. America	<input type="checkbox"/> please specify: _____	<input type="checkbox"/>
Canada	<input type="checkbox"/> please specify: _____	<input type="checkbox"/>
UK & Ireland	<input type="checkbox"/>	<input type="checkbox"/>
E.C. Europe (except UK & Ir.)	<input type="checkbox"/> please specify: _____	<input type="checkbox"/>
Eastern Europe	<input type="checkbox"/> please specify: _____	<input type="checkbox"/>
African Continent	<input type="checkbox"/> please specify: _____	<input type="checkbox"/>
Middle East	<input type="checkbox"/> please specify: _____	<input type="checkbox"/>
Pacific Islands	<input type="checkbox"/> please specify: _____	<input type="checkbox"/>
New Zealand	<input type="checkbox"/>	<input type="checkbox"/>

8. Please indicate with a Cross (X) which of the alternatives listed below best describes your collaborative relationship:

- ☐ **Go to Q.9 A Joint Venture:** involves the establishment of a separate legal entity in which equity is shared by both parents. joint Ventures provide joint, but not necessarily equal, degrees of ownership and control over the use and benefit of assets.
- ☐ **Go to Q.10 Contractual collaborations:** are non-equity formal agreements between two or more firms. these include technical buybacks, licenses, strategic alliances, and management and service agreements.
- ☐ **Go to Q.10 Informal agreements:** involve a non-contractual cooperative association between two or more firms.

9. If the form of collaborative relationship specified above was a Joint Venture, did this involve the formation of a:

Please indicate your response with a Cross (X) in the box provided

Limited liability private company	<input type="checkbox"/>
Unlimited liability private company	<input type="checkbox"/>
Public company	<input type="checkbox"/>
Partnership	<input type="checkbox"/>
Other	<input type="checkbox"/>

10. In what year did the initial negotiation of the agreement begin ?

☐ Date: \_\_\_\_\_

☐ Unknown

11. In what year was the agreement formally instituted ?

☐

Date:

☐

Unknown

12. Is there an agreed termination date for the relationship ?

☐

No

☐

Yes, Date:

☐

Yes, Unknown

13. Please indicate with a Cross (X) the relative strategic importance of the collaborative relationship to you and your partners:

Your firm:

Other firms:

Not important

☐☐

Moderately important

☐☐

Very important

☐☐

14. Which, if any, forms of Government assistance have been provided to create or support this relationship (please cross all that apply):

None

☒

Hard Networks

☐

Joint Action Groups

☐

Business Development Grant

☐

Trade Development

☐

Other

☐

please specify: \_\_\_\_\_

15. Please indicate with a Cross (X) which of the sectors listed below best describes the activities involved in the relationship:

Agricultural Services, Forestry & Fishing

☐

please specify: \_\_\_\_\_

Mining and Quarrying

☐

please specify: \_\_\_\_\_

Manufacturing

☐

please specify: \_\_\_\_\_

Electricity, Gas & Water

☐

please specify: \_\_\_\_\_

Construction

☐

please specify: \_\_\_\_\_

Wholesale & Retail trade, Restaurants & Hotels

☐

please specify: \_\_\_\_\_

Transportation, Storage & Communication

☐

please specify: \_\_\_\_\_

Business & Financial Services

☐

please specify: \_\_\_\_\_

Community, Social & Personal Services

☐

please specify: \_\_\_\_\_



000642

000642



16. Please indicate with a Cross (X) the category which best represents this relationship:

☐ All Partners provide similar inputs:

if so... ☐ in areas each is familiar with

☐ in areas one is familiar with

☐ in areas new to all partners

☐ Most inputs are provided by only one partner:

if so... ☐ the partner providing the input is thoroughly familiar with the area

☐ the partner providing the input is somewhat familiar with the area

☐ the partner providing the input is unfamiliar with the area

17. Please rate the quality of the relationship between your firm and other partners ?

*Please indicate your response with a Cross (X) in the box provided*

Above Average

☐

Average

☐

Below Average

☐

18. To what degree does the relationship involve the use of technology ?

*Please indicate your response with a Cross (X) in the box provided*

High use of technology

☐

Some use of technology

☐

Little/no use of technology

☐

19. Overall, how has this relationship been for your firm ?

*Please indicate your response with a Cross (X) in the box provided*

Exceeded expectations

☐

Met expectations

☐

Has not lived up to expectations

☐

Thank you, the survey is completed.

Please return the completed survey using the Free-Post Address below:

Freepost 91819  
University of Canterbury Survey  
PO Box 30-485  
Lower Hutt

Good luck for the Ansett Mystery Weekend.

**Appendix B: Document Summary Form**

## **Document Summary Form**

**Name or description of document(s):**

**Contact and/or event (if any) which document is associated.**

**Significance or importance of document(s).**

**Brief summary of content(s):**

**Is document central/crucial to a particular contact?**

*If yes – copy and include with transcription*

*If no – file in document box*

## CONTACT SUMMARY FORM

**Contact Type:**

**Visit** \_\_\_\_\_

**Organisation** \_\_\_\_\_

**Phone** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Person** \_\_\_\_\_

**Author** \_\_\_\_\_

1. Summarise the main issues or themes that struck you in this contact.
  
  
  
  
  
  
  
  
  
  
2. Summarise the information you got (or failed to get) on each of the target areas.  
(Brief summary only).
  
  
  
  
  
  
  
  
  
  
3. Did anything else strike you as salient, interesting or important in the contact?
  
  
  
  
  
  
  
  
  
  
4. Do any issues remain that need to be raised with this contact?

**Appendix C: Letter of Consent and Details of Study**

**COLLABORATIVE RELATIONSHIPS IN NEW ZEALAND: AN  
INTEGRATIVE EXAMINATION OF OUTCOMES**

**CONSENT FORM**

I have read the information sheet and have had the details of the study explained to me. Any questions I had were answered by this sheet, and I understand that I may ask further questions at any time.

I understand that I have the right to withdraw from the study at any time and to decline to answer particular questions.

I agree to provide information to the researchers on the understanding that my name will only be used with my permission. *(The information will be used for this research and publications arising from this project).*

I agree/do not agree to the interview being audio taped.

I also understand that I have the right to ask for the tape to be turned off at any time during the interview.

I agree to participate in this study under the conditions set out in the Information Sheet.

Signed:

Name:

Date:

## PROJECT AND INTERVIEW INFORMATION SHEET

1. This research is being jointly conducted by Nitha Dolli (Massey University) and Dr. Mary-Ellen Gordon (University of Canterbury). The primary purpose of the project is to explain and predict performance of collaborative business relationships. Dissemination of the results will be through academic journals and conferences, and through appropriate channels directed at targeting New Zealand firms. As such, the proposed research will both contribute to theory, and help managers in New Zealand make more informed decisions regarding various aspects of collaborative relationships.

The information collected will also be used by Ms. Dolli to complete a doctorate aimed at developing and testing a model to explain performance differences experienced in collaborative relationships.

2. Contact numbers for the researchers are:

Nitha Dolli	(09) 443 9799 ext: 9454
	Mob: 021 116 1169
Dr. Mary-Ellen Gordon	(03) 366 7001

3. The participant will be required to take part in a personal interview with one or both of the interviewers. It is anticipated that these interviews may take up to 1 ½ hrs. A small tape recorder will be used to collect information. Participants reserve the right to ask for this device to be turned off if sensitive issues are being discussed. They also have the right to withdraw from the interview process, or refuse to answer questions at any time.
4. Selection of case study firms in the first phase of this project has been based on a survey conducted by Canterbury University in 1997. This survey resulted in the formation of a database of New Zealand firms involved in collaborative relationships. Case study firms were then selected based on a theoretical sampling method.
5. The completion of this project will have implications for the relationship activities of firms in New Zealand. As such, participant firms will benefit from the results by using the information to initiate 'good collaborative relationship practice'. It must be noted that case studies written up in the first stage of this research will also be accessible to all participant firms. These case studies will be developed to highlight key aspects of the relationships under study. They are not intended as an illustration of effective or ineffective handling of a situation or business problem.

6. The researchers will be using the services of two appointed transcribers. The transcribers will be alerted to the need to maintain confidentiality. All tapes will be transcribed verbatim. Transcriptions will then be reviewed only by the researchers. All information (tapes, documents etc) will then be stored in a research archive by the interviewers for the purpose of future reference.
7. Permission may be requested to use the names of participant employees and firms where appropriate. However, if necessary any financial data may be altered to ensure confidentiality.
8. In summary, the participant(s) have the right:
  - to decline to participate
  - to refuse to answer any questions
  - to withdraw from the study at any time
  - to ask any questions about the study
  - to provide information on the understanding that firm and individual names will be used with permission only
  - to be given access to the case study and a summary of the findings once the study is completed



## **Appendix D: Questionnaire**

## COLLABORATIVE RELATIONSHIPS QUESTIONNAIRE

- Introduction  
Outline purpose of research
- Exchange business cards
- Reassure respondent that all information gained from the interview will remain confidential
- Use of tape recorder should be explained; offer respondent the option of asking for it to be switched off if particularly sensitive information is being discussed
- Give indication of estimated time interview will take
- Outline sections of questionnaire

Date \_\_\_\_\_

Time \_\_\_\_\_

Company \_\_\_\_\_

Manager – Name \_\_\_\_\_

Title \_\_\_\_\_

Partner Company \_\_\_\_\_

Name of Alliance \_\_\_\_\_

Type \_\_\_\_\_

## STRUCTURED RESPONSE SECTION

1. What activities is this relationship involved in? List

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1.1. How important is each of these activities to the relationship?

Very Unimportant						Very Important	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	

1.2. What is the relative contribution of each firm to each activity?

0%	25%	50%	75%	100%
0%	25%	50%	75%	100%
0%	25%	50%	75%	100%

1.3. What is the level of experience your firm has with each activity?

None						Highly Experienced	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	

1.4 What is the level of experience your partner has with each activity?

None						Highly Experienced	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	
1	2	3	4	5	6	7	

2. What geographic region(s) does the relationship cover?

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---

2.1 How important are each of these regions to the relationship?

Very Unimportant					Very Important	
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

2.2 What is the relative contribution of each firm in each geographical region?

0%	25%	50%	75%	100%
0%	25%	50%	75%	100%
0%	25%	50%	75%	100%

2.4 What is the level of experience your partner has with each geographical region?

None					Highly Experienced	
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

2.3 What is the level of experience your firm has in each geographical region?

None					Highly Experienced	
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

3. What product-markets does the relationship cover?

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3.1 How important are each of the product-markets to the relationship?

Very Unimportant					Very Important	
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

3.2 What is the relative contribution of each firm in each product-market?

0%	25%	50%	75%	100%
0%	25%	50%	75%	100%
0%	25%	50%	75%	100%

3.3 What is the level of experience your firm has in each product-market?

None					Highly Experienced	
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

3.4 What is the level of experience your partner has in each product-market?

None					Highly Experienced	
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

## OUTCOMES

4. What specific criteria do you use to assess the outcomes of this relationship?

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4.1 In assessing each outcome, how important do you think it is to the relationship?

**Very Unimportant** **Very Important**

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

4.2 To what extent has each of the identified outcomes been achieved?

**Not Achieved** **Completely Achieved**

1 2 3 4 5 6 7

1 2 3 4 5 6 7

1 2 3 4 5 6 7

## **Appendix E: Coding Start List**

## CODING START LIST

### Construct and Variable Codes

<u>Topic</u>	<u>Category</u>	<u>Code</u>	<u>Description</u>
<b>Background</b> <i>[Applies to things prior to relationship]</i>	Timing	B-TIM	Anything regarding dates or temporal order
	Participants	B-PART	Any info. about participating firms <u>not</u> directly related to relationship
	Data	B-DATA	Numerical information <u>not</u> directly related to relationship
	Environment	B-ENV	Information about markets, customers, competitors (not in relationship), etc.
	Actions		
	- Individual(s)	B-IDV	Any action taken by an individual(s) (as opposed to a firm or firms)
	- Participant Firm(s)	B-PF	Any action taken by any participating firm or firms
	- Competitive Firm(s)	B-COMP	Any action taken by non-participating firms competing in same market
	- Govt.	B-GOVT	Actions taken by govt. of regulatory organizations legally etc.
	Personal	B-PERS	Unique characteristics of the person
	General	B-GEN	Other background information
<b>Form</b>	Explanation	F-EXP	Structure related comments; descriptive of structure
	Rationale	F-RAT	Factors influencing form;
	Consequence	F-CONS	Ramifications of selected form
	General	F-GEN	
<b>Resources</b>	Value Chain	R-VC	What specific activities are being done in relationship.
	Geographic Region	R-GR	) Keep in mind these ) are relationship ) specific ) eg. patents Copyrights ) eg. money ) ) )
	Prod-mkts	R-PM	
	Intellectual Property	R-IP	
	Segments	R-SEG	
	Miscellaneous		
	Activities	R-ACT	
	General	R-GEN	
<b>Formation Process</b>	Length	FP-LENGTH	Time taken to negotiate
	Agreement	FP-AGREE	Existence of a formal agreement; any details
	Initiation	FP-INITIATE	Details associated with initiation - eg. individuals
	Prior Experience	FP-PRIOR/EXP.	Experience with current partner(s)
	Partner Selection	FP-P/SEL	Issues apparent re. how/why partner was selected
	Process		
	General	FP-GEN	
<b>Relationship Dynamics</b>	Trust	RDYN-TRUST	Confidence in partners reliability, integrity etc.
	Commitment	RDYN-COMT	NB: Perceived benefits
	Conflict Resolution	RDYN-CONRES	Conflict: functional or related to relationship
	Power	RDYN-POW	
	Communication	RDYN-COMS	Formal or informal information sharing
	Shared Vision/Values	RDYN-SV	Common beliefs about behaviours, goals & policies
	Good Will	RDYN-GW	"Goodwill" in dealings related to the relationship
	Interpersonal	RDYN-IDV	Positive or negative relationship +/- feelings
	Happy Families	RDYN-HF	Interorganizational integration
	General	RDYN-GEN	Eg: comments re. co-operation, uncertainty, termination costs



<u>Topic</u>	<u>Category</u>	<u>Code</u>	<u>Description</u>
<b>Outcomes</b>	General	OUT-GEN	
	Specific	OUT-SPEC	
<b>Spin-offs</b>	Positive	SO-POS	)Comments signifying a positive or negative
	Negative	SO-NEG	)spin-off from the relationship.
	General	SO-GEN	General comments re-opportunities that have/may be created.
<b>Change</b>	Firm	C-FIRM	Change in organizational +/-or ownership structure of one of The firms
	Relationship	C-REL	Change in relationship form +/-or nature
	Environment	C-ENV	Change in environment, external factors, ↓'s or ↑'s etc.
<b>Motivations</b> [ <i>Why does relationship exist?</i> ]	Size	M-SIZE	Size of firms
	Competition	M-COMP	Number, nature, dominance, market concentration etc.
	Market	M-MKT	Size, nature, characteristics etc.
	General	M-GEN	
<b>External Relations</b>	Customer	E-CUST	Dealings with customers (external to relationship)
	Supplier	E-SUPP	Dealings with suppliers (external to suppliers)
	General	E-GEN	
<b>Perception</b>	Relationship	P-REL	)
	Environment	P-ENV	) Any unverified perceptions relating
	Partner	P-PART	) to these categories
	Firm	P-FIRM	)
	General	P-GEN	)

**Appendix F: Coding Examples – Manual and Computerised**

C4 F1 R1 INT1

Local relationships in New Zealand and what I think what I have said to actually details that. I guess a good place for us to start not knowing a lot about your organisation and its background is to probably ask you a bit about the background to your organisation perhaps start off with when it was set up etc and move on from there to looking at specifics of the alliance and Barrier Systems which is your partner organisation.

Right - it is a little bit of a romantic tail - you know coming right through but the business was started in 1975 and I have always been in the concrete industry as an engineer and was at the time in the precast concrete industry where a lot of the university buildings were being built in precast concrete and all those ones in town and even as Massey all those precast clad buildings and so I was in that industry and it's a very demanding industry, making precision things in concrete and something always goes wrong. So I set up the business as a problem solver you know, cracked concrete panels or panels that weren't quite made quite correctly just fixing them up and so it was a it started - our phone system as you hear - I can't really turn that down - really just started with me just a one person business going around advising people and I soon found out that I couldn't just advise people what to do unless you had people to actually do the remedial work as well so its developed from there. So we you know in simple terms sometimes I'm called Mr Fix-it you know a little bit the Richard Scarry books sort of thing and we concentrate on trying to save problems in the building industry whether its bridges or walls or buildings in the building field it is mostly on waterproofing. No one grizzles about a building but they certainly do when rain gets in or water gets in or carpets get wet or and so that's one part of it. So waterproofing and the remedial work to buildings, whether new or old is one probably one third and the other third would be just fixing concrete related problems. Or concrete cracks so the movement in buildings or in bridges or walls etc and concrete deteriorates with time. So it's a remedial thing with concrete. And then the other third is mismatches of any other sort of problem and that's where the barrier came into it. And there was a particular problem on the Auckland Harbour Bridge, and about two years previously I had been in a precast concrete factory in France, I remember it well it happened to be my birthday, and I was waiting to be taken for lunch and it was freezing cold, it was minus three and while I was waiting to be taken to lunch I just stepped into a factory and saw some guys making some units which are removable barrier, you'll have seen it on the Auckland Harbour Bridge of course, I should have got this down but, and the concrete units, you know that's this little model are that shape and they are a metre long. So I saw one of those and I just said you know what are those? and the guy you know just said well what they are is a movable barrier he actually drew it with his finger on the dirty steel mould that he was you know and I thought hey what a great idea. So sort of mentally filed it away in my mind wrote to the master agent for the system who happened to be an Australian and had never used the system in Australia but that's another story and he had sat next to a plane and described this system to a Frenchman on a plane just on a pencil and a napkin and the Frenchman had run with it and was using it in France and I just happened to see and register the idea was a good one and then I was sitting in front of TV one night after a horrific accident on the Harbour Bridge where a young mother had died and the child had died and Richard Prebble I can remember came on the - he was member for Auckland Central at the time and said it was a tragedy but a safety barrier for the Harbour Bridge is an impossibility and I just sort of sat up in the chair and said no its not and took it from there.

Sorry what year was that?

5 That was about probably about let me think probably about 87/88 and I then contacted the  
6 Frenchman and he also put me in contact with Barrier Systems of the United States because  
the Frenchman was taking the franchise for Europe and the American was sort of for the  
United States – no one had thought about this part of the world. So we actually set up a weeks  
study thing with them – the guy from France came out and the American came out and then it  
was decided because they were operating in California and their language was English it was  
probably better to run with the American.

B-TIM  
B IDV

Where does the Australian fit into it?

B-~~IAE~~ IDV

7 He basically thought up the idea – the actually technology and actually patented it just the and  
8 you know it works very simply, you just have a machine like that and its got a track in their  
which is a bit like a curtain track and there are some wheels on the track and the wheels slide  
under the barriers on there on the bridge and you want to move it a lane so you push and the  
machine comes along and that is what happens and it works you know that is 1500 tonnes of  
concrete moves three metres four times a day every day and it works because it is very simple  
and while it doesn't slide across the road it actually lifts off the ground about that far but  
going and that's all it is so it works very simply.

B-GEN

A lot slower than that.

You have seen it working?

Yeah

9 And I the United States well the latest one of the United States is there in Honolulu and the  
system there isn't this one was used for safety, more than traffic reasons but in the United  
States now they are using it for traffic reasons to increase the capacity and this is the main  
highway I think into Honolulu and out and in the morning they move the barrier from that  
position to there for a distance of about 15 kilometres and the traffic uses that lane on the  
other side of centre line so you increase the – what they call tidal wave

B-ENV  
B-GEN

Yeah I was in Boston for a long time and they use them there to.

0 Yeah right – I have seen the one in Boston and San Diego have got on their Coronado Bridge  
and on the Coronado Bridge and there our friend Mr Robin Dunlop from who is in charge of  
Transit wants to use one in Wellington – just coming in from Ngaronga into the City in the  
morning just to ease that traffic. I don't think it is an enormous problem its just everyone  
wants to go to work at the same time. You know they have really only got a three quarter of  
an hour choke in Wellington but if someone gives me an order then I will be happy to supply.  
But – so that is how it happened and we had this initial study we did a feasibility study all said  
it was possible we were all very brave because no one else had done it in the world on bridges  
with slopes and curves like we have got it, it had only been used on the flat, and so it was the  
first permanent installation that went in in the world and even someone like Caltrans the  
Californian Transport Authority had been thinking of using it at Coronado but didn't have the  
– well they wanted us to do it first and we wanted them to do it first and so we actually did it  
first and when they saw that it did work and all the rest of it, they followed suit and its taking  
off in the United States now and South America.

B-GEN

B-PF  
B-GE

\*\*\*

## C4F1R1INT1

### Highway Barriers

Local relationships in New Zealand and what I think what I have said to actually details that. I guess a good place for us to start not knowing a lot about your organisation and its background is to probably ask you a bit about the background to your organisation perhaps start off with when it was set up etc and move on from there to looking at specifics of the alliance and Barrier Systems which is your partner organisation.

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B-PART

2 its developed from there. So we you know in simple terms sometimes I'm called Mr Fix-it you know a little bit the Richard Scarry books sort of thing and we concentrate on trying to solve problems in the building industry whether its bridges or walls or buildings in the building field is mostly on waterproofing. No one grizzles about a building but they certainly do when rain gets in or water gets in or carpets get wet or and so that's one part of it. So waterproofing and the remedial work is

B-PART

3 buildings whether new or old is one probably one third and the other third would be just fixing concrete related problems. Or concrete cracks so the movement in buildings or in bridges or walls etc and concrete deteriorates with time. So it's a remedial thing with concrete.

B-PART

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B-GEN

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Sorry what year was that?

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taking the franchise for Europe and the American was sort of for the  
United States – no one had thought about this part of the world. So we  
actually set up a weeks study thing with them – the guy from France  
came out and the American came out and then it was decided because  
they were operating in California and their language was English it  
was probably better to run with the American.

B-TIM  
B-IDV

Where does the Australian fit into it?

- 7 He basically thought up the idea – the actually technology and actually  
patented it just the and you know it works very simply, you just have a  
8 machine like that and its got a track in there which is a bit like a curtain  
track and there are some wheels on the track and the wheels slide  
under the barriers on there on the bridge and you want to move it a  
lane so you push and the machine comes along and that is what  
happens and it works you know that is 1500 tonnes of concrete moves  
three metres four times a day every day and it works because it is very  
simple and while it doesn't slide across the road it actually lifts off the  
ground about that far but going and that's all it is so it works very  
simply.

B-IDV  
B-GEN

A lot slower than that.

You have seen it working?

Yeah

- 9 And in the United States well the latest one of the United States is there  
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more than traffic reasons but in the United States now they are using it  
for traffic reasons to increase the capacity and this is the main highway  
I think into Honolulu and out and in the morning they move the barrier

B-ENV/  
B-GEN

from that position to there for a distance of about 15 kilometres and the traffic uses that lane on the other side of centre line so you increase the – what they call tidal wave

Yeah I was in Boston for a long time and they use them there to.

10 Yeah right – I have seen the one in Boston and San Diego have got on their Coronado Bridge and on the Coronado Bridge and there our friend Mr Robin Dunlop from who is in charge of [redacted] one in Wellington – just coming in from Ngatonga into the City in the morning just to ease that traffic. I don't think it is an enormous problem its just everyone wants to go to work at the same time. You know they have really only got a three quarter of an hour choke in Wellington but if someone gives me an order then I will be happy to supply. But – so that is how it happened and [redacted] we did a feasibility study all said it was possible we were all very brave because no one else had done it in the world on bridges with slopes and curves like we have got it, it had only been used on the flat, and so it was the first permanent installation that went in in the world and even someone like Caltrans the Californian Transportation Authority had been thinking of using it at Coronado but didn't have the – well they wanted us to do it first and we wanted them to do it first and so we actually did it first and when they saw that it did work and all the rest of it, they followed suit and its taking off in the United States now and South America.

B-GEN

B-PF/  
B-GEN

\*\*\*

So [redacted] were they actually manufacturing the product at that point in time?

12 Yes [redacted] they had started to manufacture the product but mostly [redacted] construction purposes one of the things that it can be used for is if you're rebuilding a highway or adding an additional lane you can use the system to protect the public traveling on the road from the construction site and then move it at the peak times so that they can use the road at the peak times and use the road in the off peak times for construction purposes. So in New York City and in quite a few you know of the states where reconstruction of highways happens they use the system. And it's a just a little bit its exactly the same system but simpler the machines just look like they're a construction machine rather than a fancy machine like that. And you see the way the machine is sort of crabbing as it goes down the road, if you the transfer is normally when it is going straight like that like on the Auckland Harbour Bridge is the exact width of the machine. But if you crab the machine like that you actually can increase the width of the transfer so that by doing that very you know you can vary it depending on the circumstances that you have.

B-GEN

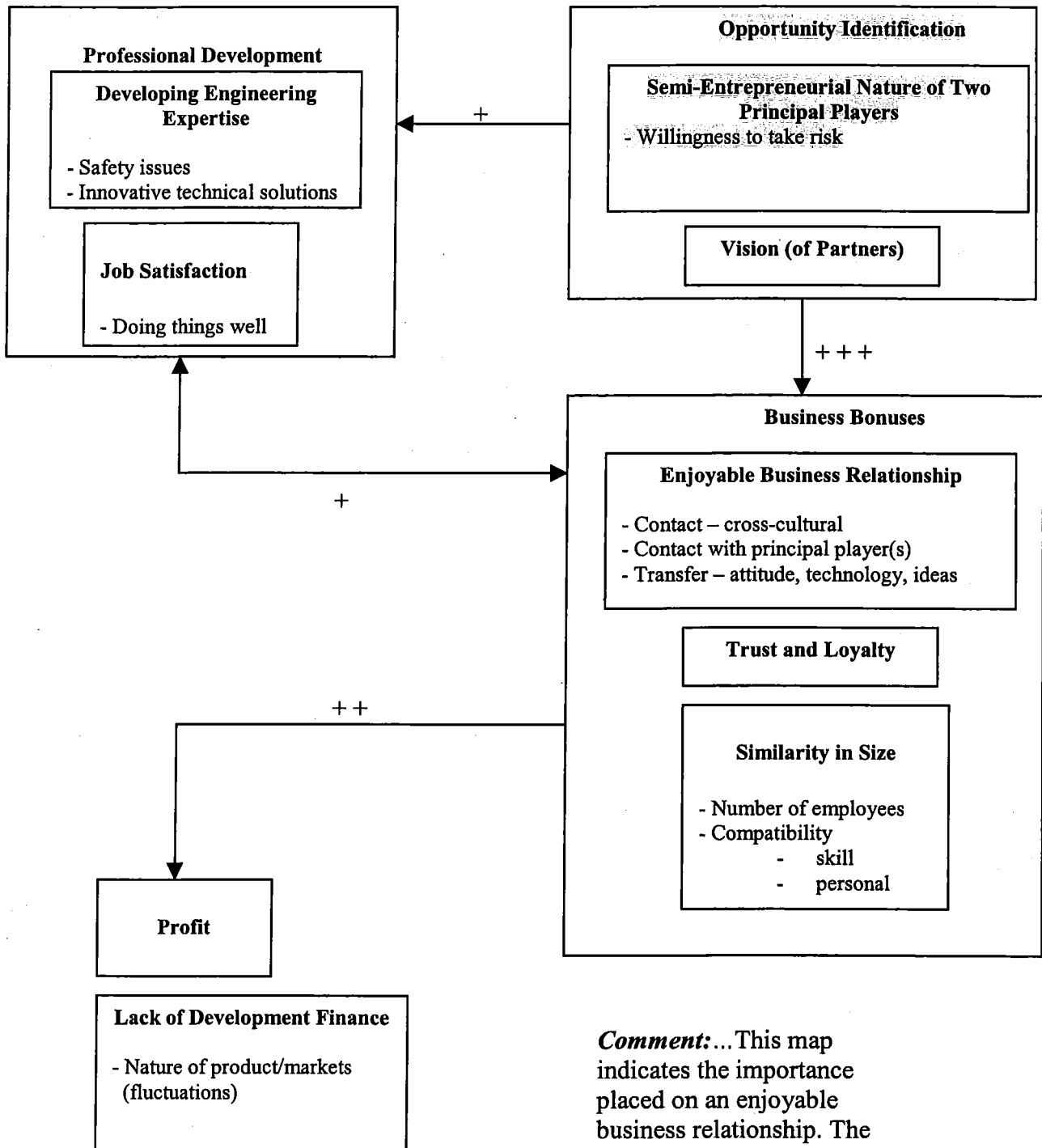
B-GEN

So do they make the vehicles as well as the barriers?

## **Appendix G: Cognitive Map**



C4F1R1INT1  
 Focal firm –  
 Highway Barriers



**Comment:**... This map indicates the importance placed on an enjoyable business relationship. The entrepreneurial nature of key individuals was also important.

## List of References

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